

# Missed the post...?

## About Postcomm

**Postcomm** – *The Postal Services Commission* – is an independent regulator. It was set up under the Postal Services Act 2000 to further the interests of users of postal services. Postcomm's main tasks are to:

- seek to ensure a universal postal service at an affordable uniform tariff
- further the interests of users, where appropriate through competition
- license postal operators
- control Royal Mail's prices and quality of service
- give advice to the government on the future of the Post Office network.

Postcomm's policies are steered by a board of commissioners, headed by the chairman, Nigel Stapleton.

*...maybe it was collected at 9am*



**Postcomm has launched a consultation on Royal Mail's collection and delivery times.**

The action follows complaints that Royal Mail is bringing forward final collection times from some post boxes, particularly in rural areas, to as early as 9am. In some instances the daily delivery is now being made after the final mail collection.

Royal Mail's universal service obligation requires it to make at least one collection from every post box and one delivery to every home or business premises every working day. However, Royal Mail does not have to specify the times when collections and deliveries are made.

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Postcomm wants to find out whether these changes have caused problems. Responses to this consultation will be combined with cost data from Royal Mail and market research. The results will help us decide whether a more formal approach to collection and delivery times is necessary.

Nigel Stapleton, chairman of Postcomm, said:

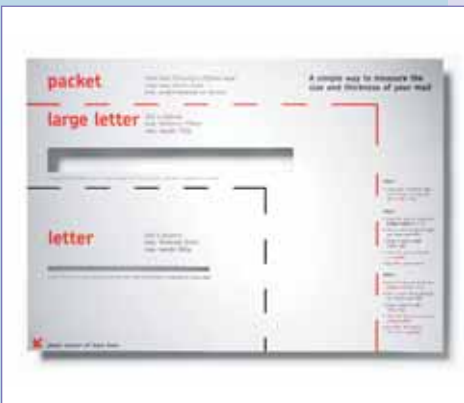
*“By making earlier collections and delivering mail later in the day, Royal Mail may be giving itself more time to deliver first class mail the next day. Whilst this helps the company meet its quality of service targets, if it is not meeting the reasonable needs of customers, Postcomm must consider what action to take.*”

*“Postcomm has a duty to protect the needs and interests of all mail users, especially people in rural areas and those who are blind or partially sighted, elderly, chronically sick or disabled. Early collections could have adverse effects on these mail users’ ability to communicate by post and on the future health of the mail market. We are pleased that Postwatch and Royal Mail will be working closely with Postcomm on this project.”*

The consultation, entitled *A Review of Royal Mail’s Collection and Delivery Times - The needs of users in relation to collection and delivery times*, is published on Postcomm’s website. Responses are requested by **8 January 2007**.

## PiP: no sign of chaos yet

Royal Mail’s new way of charging for letters and packets – Pricing in Proportion (PiP) – which takes account of the size as well as the weight of mail items, was introduced on 21 August.



**Despite predictions of postal chaos from some quarters, the new pricing arrangements seem to have caused few problems so far, with many business users opting to reduce the size of their mail items from A4 to A5 (as we have done with *COMmentary*) to fit within the cheapest postal band.**

Royal Mail mounted a major publicity campaign to make customers aware of the changes but some have argued that the August introduction happened when a lot of customers were on holiday. The next big test for PiP will be Christmas.

# Post Offices: decision needed now

Postcomm has urged the government to make the tough and overdue decisions needed to plan the future of the Post Office network.

In a report to government on Royal Mail's Post Office network, Postcomm said the government must take into account the wider social role played by Post Offices in local communities as well as the imperative of establishing a sustainable, stable business.



Postcomm does not regulate Post Offices but it monitors developments in the network of over 14,000 offices and provides independent advice to the government in the form of an annual report.

Research for Postcomm has provided clear evidence on why Post Offices urgently need a direction from the government to secure their future. The report says keeping things as they are is not an option, because:

- The Post Office network lost £111 million last year even after the government's yearly subsidy to rural offices of £150 million – this subsidy is due to be withdrawn in 2008
- Government departments such as the Department for Work and Pensions and the Driver and Vehicle Licensing Agency are withdrawing services from Post Offices
- New products such as investment bonds, personal loans and credit cards deliver less than 1% of total weighted sales in urban areas – and are not filling the gap left by the withdrawal of government business
- Only 1,500 of the 8,000 rural Post Offices are making money for Post Office Ltd, with the remaining 6,500 branches costing more to run than they provide in income
- Subpostmasters need time to plan their future, and improvements may be delayed while waiting for a decision on the future shape and size of the network
- Post Office Limited has made some progress in developing alternative delivery models, such as mobile Post Offices, which offer a good opportunity for continuing the valuable services that Post Offices provide in local communities, but more needs to be done.

The report, entitled *Post Offices at the crossroads*, is published on Postcomm's website.

# Royal Mail wants a two-tier



**Royal Mail has asked Postcomm if it can introduce a two-tier Special Delivery service in 2007. The company wants to exclude valuable items such as jewellery from the existing next day service, but add a separate – and more expensive – service for high value items.**

**The company says it needs to make these changes to help ensure its staff are safer when delivering high value items.**

Royal Mail's proposals will affect jewellers, companies who supply foreign exchange, and others sending through the post items that are readily turned into cash. Postcomm is consulting on the changes and has asked for responses by **21 December 2006**.

At the moment, customers using the Special Delivery Next Day service are able to claim compensation if items of value are lost or damaged. If Postcomm approves Royal Mail's proposals, customers using this service will not be able to seek compensation for lost or damaged items which contain items of value.

**The Special Delivery High Value service that Royal Mail wishes to introduce would carry high value items that Royal Mail is proposing to exclude from the existing Special Delivery Next Day compensation arrangements.**

Postcomm is seeking views on Royal Mail's proposals, which aim to:

- exclude valuable items, such as cash and jewellery from the service
- reduce the additional levels of compensation that customers can buy, from a maximum £2,500 to the standard £500, and
- introduce a separate Special Delivery High Value service which would allow customers to post items of value and to claim compensation for lost or damaged high value items.

# Special Delivery service

This table summarises the main changes proposed by Royal Mail:

Product feature	Current	Proposed	Proposed
	Special Delivery Next Day	Special Delivery Next Day	Special Delivery High Value
Guaranteed next working day delivery	By 1pm	By 1pm	By 3pm
Standard level of compensation for loss or damage	£500	£500	£2,500
Additional compensation for loss or damage	Up to £2,500	N/A	N/A
Compensation for loss or damage of valuables	Yes	No	Yes
Indicative Minimum Postage	£4.10	£4.10	£8.90

Royal Mail is obliged to provide an insurable service for high value items as part of the universal postal service and, under the terms of its licence, must have Postcomm's approval before it makes changes to the non-price terms and conditions of its regulated products that are less beneficial to customers.

The consultation document *Royal Mail's proposed changes to the Special Delivery Next Day service* is published on the Postcomm website.



# Four years from now. . . . . . what sort of mail service will you want?



Four years ago, Royal Mail was called Consignia and had a total monopoly of the letters market. Now it has 18 competitors in the UK mail market offering a variety of rival services. But what will be happening four years from now?

## Postcomm's current price and service quality control on Royal Mail – which among other things sets the price of stamps – runs until 2010.

To help us plan our future regulatory strategy from 2010 on, we are asking everyone with an interest in the mail market: operators – including Royal Mail – customers, consumer bodies and the general public, what sort of mail services they think we will need four years from now.

To get the ball rolling we have published a consultation document on our website: *Postcomm's Strategy Review. The postal market – 2010 and beyond: Key questions for stakeholders.*

## These are the sort of questions it asks:

*Are you more interested in lower prices or greater quality of service, bearing in mind that there is often a trade-off between the two? Royal Mail's present quality of service target is that 95% of first class letters arrive the next day.*

- Would you pay more for a near-100% first class delivery next day?
- Would you accept less than the 95% target if prices were reduced?
- Would you wish lower prices for deliveries to urban areas at the cost of having to pay more for rural deliveries?

*What postal services are you likely to want in the future?*

- Will you still need a delivery six days a week?
- Delivery of some mail guaranteed on a specific day?
- Fewer post boxes but later final collection times?
- More same day deliveries?
- More services such as track and trace?
- Is there a need for more high security services?

*How do you think your use of mail will change?*

- Do you expect to post more – or less – personal correspondence? (Business post currently makes up almost 90 per cent of sent mail).

- Should the universal service (that is, a postal service at uniform price to every household and business in the UK, six days a week) apply only to personal mail?
- Will you need the postal service more when ordering goods online (e.g. Amazon or eBay) than for personal correspondence?
- Will you still want your bank statements posted to you – or sent electronically?

We would like responses by **9 November 2006**. Postcomm will evaluate all the answers and combine them with some research we are doing to frame our future regulatory strategy. **We will publish feedback in 2007.**

# Get the facts

**In the days of the of monopoly postal services, business decisions on post were relatively simple – all you did was route everything through Royal Mail. Now the choices available in a competitive mail market have brought improved services and prices, but also a lot more to think about.**

That's why we have produced a set of factsheets aimed at providing mail operators, customers and others with answers to the many questions posed by the competitive market.

So whether you want to know the size of the mail market (the UK addressed mail market is worth £6.5 billion a year), how VAT works in the postal services sector (Royal Mail is exempt), which companies are licensed by Postcomm (there are 19 of them) or how to complain about your mail service, there's a factsheet to cover it.

**At time of writing there are 20 of them, all downloadable from the Postcomm website. From the Home page select *About the mail market* and click on *UK market reviews*.**

# What do you think of **zonal pricing**?

**Royal Mail has applied to Postcomm to introduce zonal pricing for certain bulk mail services used by the largest business mailers, such as banks, utilities, advertisers and government departments. Currently most of Royal Mail's business tariffs are the same, regardless of delivery location.**



Royal Mail's application does not affect any other postal products, including the 'one-price-goes-anywhere' stamp available to the public – a core part of the universal postal service commitment – or those business mail services that are also included in the universal service (Cleanmail – first and second class, and Mailsort 1400 – first and second class).

If allowed, zonal pricing would mean Royal Mail could charge less than it does at present for areas where it is cheaper to deliver and more for areas where it is more costly to deliver. Such changes cannot be implemented without Postcomm's prior approval.

Postcomm is seeking the views of all interested parties before making a decision and has published a consultation document: *Zonal pricing by Royal Mail*, which outlines the proposals and asks for feedback. The document can be downloaded from the Postcomm website. We would like your views by **11 December 2006**.

Royal Mail has applied to introduce zonal prices for the following bulk mail products:

- **Mailsort 120** – first and second class, OCR and CBC
- **Mailsort 700** – first, second and third class
- **Mailsort 1400** – third class
- **Presstream** – first and second class
- **Walksort** – first and second class.

**Royal Mail already applies zonal pricing to some of its access agreements, under which it delivers mail 'the final mile' for large customers and other postal operators.**

# Redirecting mail in a competitive market

## Postcomm is looking at ways of widening Royal Mail's redirections service so it works across the whole of the fully competitive mail market.

Every year, around 1.3 million households and businesses use Royal Mail's redirections service, and there are around 800,000 redirections 'live' on the company's books at any one time.

In the fully competitive market, where rivals of Royal Mail can offer their own collection and delivery services, redirection arrangements need to be broadened to allow those rivals to redirect mail, and Postcomm has been consulting on how this could be achieved within the constraints of data protection rules.

Information on redirections given to Royal Mail is classified as 'personal data' under the Data Protection Act 1998 (DPA), and any solution must comply with data protection rules. Postcomm is proposing changes to ensure personal data is handled properly and has established a memorandum of understanding with the Information Commissioner, who has specific responsibilities for the promotion and enforcement of the DPA, setting out how the two regulators would cooperate if UK data protection rules were broken.

Royal Mail's price control includes an allowance to enable the company to operate its redirection service, which is part of the universal postal service. Royal Mail also charges customers a fee for redirections. Postcomm has proposed, among other things, that Royal Mail provides redirections data to other licensed operators on fair and reasonable terms, and suggests revenue-sharing arrangements as an option for dealing with redirections revenue.

Any changes will be incorporated into the licences of Royal Mail and other operators wishing to provide a redirections service. Customers would still only need to inform Royal Mail of an address change, but this information would be shared with other operators.

Full details are in the document: *Sharing redirection data, Postcomm's proposals to facilitate a multi-operator redirection service*, published on Postcomm's website. Responses are requested by **31 October**.

# On the road with Postcomm

Effective regulation requires, amongst other things, a detailed knowledge of the market. We know a lot about Royal Mail because we are in regular contact, but it is also important for Postcomm to know the aspirations, opportunities and challenges of the other main players – rival operators, customers, consumer groups and representatives of the general public, such as MPs, special interest groups and local authorities.



Glynn Jackson, who runs the mobile Post Office operating out of Wick, talks to Postcomm chairman Nigel Stapleton (right)

**That's why we spend time away from our central London base visiting all parts of the UK to make sure we do not lose touch with stakeholders. The sort of thing we get up to is illustrated by our three-day trip to Scotland in September.**

## ► Wednesday 13 September, Edinburgh

### *Postal deliveries to tenements.*

- A particular Scottish problem, raised by consumer body Postwatch, is delivering mail to tenement buildings. Most have an outer door with no letterbox. Postmen and women need to get past this door to put mail through the letterboxes – the numbering of which is often very confusing – of the individual tenements inside. Outer doors are left open for a short period, but are locked at other times. Since Royal Mail began later morning deliveries, sometimes there is no one to open the outer door when the postman calls.

- Nigel Stapleton, together with Tricia Dow of Postwatch Scotland, accompanied a postman on his rounds to see the problem at first hand.

### *Scottish Parliament meeting with MSPs.*

- Their concerns included the timing of deliveries and last collections in rural areas, the closure of rural Post Offices, the possibility of new operators 'cherry-picking' Royal Mail's delivery networks and whether Postcomm could persuade Royal Mail to produce self-adhesive Scottish stamps in small books (alas we can't). All concerns were carefully considered and will help inform our future policies.

### *Postcomm team visit to a major financial services mailer. This is one of a series of meetings which we use to meet large postal users face-to-face.*

### *Dinner with major Scottish mail customers.*

► **Thursday 14 September, Edinburgh**

*Attended and contributed to a Postwatch presentation on rural post offices.*

*To Leven, and Windygates, Fife*

- Visits to local Post Offices. Leven operates a core and outreach arrangement. The Leven Post Office is the core office and there is an outreach office in a store in the small village of Windygates. We heard first hand how the services were working.

*To Dundee.*

- Briefing for local media.
- Dinner with stakeholders.

► **Friday 15 September,**

*To Wick, Caithness, and on to Reiss*

- Reiss: Visit pilot mobile Post Office. This mobile office visits the village for about two hours on Mondays, Tuesdays and Fridays and during the course of a week it also serves four other communities that are too small to support a Post Office. An internet connection into the local telephone pole enables it to offer full Post Office services through the electronic Horizon network.

*To John O'Groats.*

- Visit John O'Groats Post Office. A courtesy call to the most northerly Post Office on the British mainland.

*To Thurso.*

- Meetings with local media.
- Dinner with local businesspeople and local authority representatives to hear any concerns and views of customers using the Reiss Post Office pilot.

After the visit, Postcomm chairman Nigel Stapleton commented: *"It was extremely useful to hear a wide spectrum of opinion on all aspects of postal services in Scotland.*

*"Many of the concerns we heard related to rural Post Offices. The outreach and mobile Post Offices are good and innovative ways of helping people get access to postal services. However the downside of these experiments is dire if they do not work out. People should realise that if they don't use these services they are likely to lose them."*

## What have we been doing for the last year?

Well, a few things: We've introduced full competition in postal services throughout the UK, set Royal Mail's price and service quality control up to 2010, introduced a new licensing framework, approved Royal Mail's Pricing in Proportion arrangements and lots more.



**You can read all about it in Postcomm's Annual Report 2005/06 which can be downloaded from the Postcomm website.**

# New commissioners



**Professor Stephen Littlechild**



**Simon Prior-Palmer**

**Two new commissioners, Professor Stephen Littlechild and Simon Prior-Palmer, joined Postcomm in July. They replace Janet Lewis-Jones who retires as a commissioner at the end of October and Robin Aaronson who will retire at the end of November.**

Professor Littlechild is an internationally recognised regulatory economist who has advised governments, the World Bank, regulators and regulated companies in telecoms, energy, water and airports. He is a self-employed consultant.

Mr Prior-Palmer is a trustee of McMillan Cancer Support. Until 2005 he was a managing director and senior advisor to Credit Suisse First Boston.

The new commissioners were each appointed for a three year term by the Secretary of State for Trade and Industry. Welcoming them, Postcomm chairman Nigel Stapleton said: *“Each brings considerable and relevant experience, which will broaden the skills represented on the commission. They will help us to build on the progress achieved since the introduction of competition in the postal market”.*

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