



**POSTCOMM: REVIEW OF ROYAL MAIL'S COLLECTION AND DELIVERY TIMES
AUGUST 2007**

The Federation of Small Businesses (FSB) is the UK's leading non-party political lobby organisation existing to promote and protect the interests of all who own and/or manage their own businesses in the UK. With 205,000 members, the FSB is also the largest group representing the interests of UK small businesses and the self-employed.

The FSB welcomes this review into the Royal Mail's postal services and its licensing obligations. It is hoped that you will find the comments useful.

The problem:

The services provided by Royal Mail are deteriorating. As the consultation makes clear, in some cases, final collections in rural areas are now made as early as 9am. This is an issue that comes up time and again when speaking to our members on the ground. Proposals by the Royal Mail for future changes to services mean that this trend will only continue.

Royal Mail is currently implementing an initiative called 'Delivery Best Practice' which will make the delivery profile later by approximately one hour. This comes on the back of the change to one daily delivery which has resulted in 5% of post not being delivered until after midday.



In addition, in the last two years, Royal Mail has made changes to 6,500 final collection times around the country, with rural areas experiencing the biggest changes. Often the final collection time from post boxes in these areas has been brought forward by as much as seven hours. This has led to some instances where the daily delivery is now being made after the final mail collection. This is not a suitable service and breaks the spirit of the Universal Service Obligation.

In your consultation you conclude:

“Quality of service for the percentage of deliveries made by 3pm in rural areas and 2pm in urban areas was 99.6% and 99.4%, respectively in quarter 3 of 2006/07. On this basis, Postcomm does not think it would be proportionate to introduce a target for delivery times at this time”

The FSB believes that such statistics are not helpful. For businesses, it is crucial to have sufficient time to process financial correspondence, invoices, payments etc., and send them off within the same day.¹ Post delivered at 3pm cannot be processed that day.

It is also crucial to be able to get to banks before they close. Delivery at 3pm means many businesses will not be able to achieve this. An extra days delay, complicates and extends the entire payment and cash flow system that is so crucial to any business struggling to survive.

If you fail to get money into your account in time, your cheque may bounce leading to a large fine. Additionally, you may not be able to pay a supplier. This creates huge financial difficulties not just to your own company but to your suppliers.

This is correspondence from one member on this issue:

“the proposed enormous increases in second class prices, which will have a major effect, and the ultimate cheek, where no mail will be delivered before

¹ From an FSM Survey, 69% of small businesses send invoices through the mail and 59% use the postal system to pay bills. 51% of small businesses send between 75%-100% of bills and invoices through the post.



10.30 am and a significant proportion at 3.30pm. This is after most bank branches cut off, so any cheques etc will not go into the account that day, and together with the longer and unreliable delivery times, will have a significant effect on cash flow. Again how can a firm deal with and reply to mail in an hour or so? It means a reduction in all our productivity."

It is the FSB position that as a bare minimum, 3 hours is needed between delivery and collection, and for delivery to be at least 3 hours before banks close. This means no post being delivered later than midday.

The consultation suggests there is not sufficient evidence for establishing a minimum time window between delivery and collection. To support this, you cite your independent research. Currently, only 5% have been affected by changes to collection and delivery. This explains why your evidence does not suggest many problems.

Yet, with changes afoot, the evidence may soon change. The FSB hopes PostComm will bear this in mind whilst reflecting on how to interpret future research. As changes do take place PostComm must attach priority to the concerns of rural SMEs. Their responses on the damage of changing closing times should carry more weight and not be lost in a statistical average which includes urban SMEs.

The inevitable reduction in postal services will have a huge impact on small, rural businesses. Without a good postal service they simply could not survive, as no other postal companies could adequately cover their needs. They are the lifeblood of such communities and will suffer greatly.

PostComm should not rely on future evidence to act but take preventative measures to alleviate an inevitable problem.

Policy Steps

In your consultation you asked to choose between four ways forward.



We loosely align ourselves with point c) Seek to ensure, wherever practicable, that no deliveries are made after midday; and

d) Seek to ensure, wherever practicable, a minimum time window of four hours between delivery and collection.

Collection times should be made a quality of service target in Royal Mail's license. This should mean that, there should be regulatory controls to ensure:

- Final collection at or after 12 noon
- At least a 3 hour window between delivery and collection/banks closing

If the Post Office proposes changes to do so, this should then go to an 8 week public consultation for local users to challenge the Post Office's decision. PostComm should then independently assess the veracity of the Post Office's claim before consenting. If the Post Office has strong arguments then it should be granted but they should have to justify such a decision on a case by case basis.

It is clear in the consultation PostComm disagrees:

"The costs of ensuring that all deliveries are no later than midday would be disproportionate to the level of customer need for this service at this time."

The FSB accepts there may be occasions where this is necessary, we do not want to add burdensome costs to Royal Mail if there are good reasons, but the action must be subject to consultation and independent assessment.

Therefore, we propose point c) and d) though a 3 hour window is sufficient.

Reasons:



The question is how best to guarantee rural postal services. You state that since June, you have Royal Mail's agreement to:

"assess further the needs of its customers in all those geographic areas where the final daily mail collection is being made before noon"

We query what this agreement consists of. Specifically:

- What mechanisms are there to assess how well the Royal Mail is measuring rural postal need?
- What independent research is PostComm undertaking to ensure the Royal Mail is improving services based on such research?
- Over what time period will an assessment be made of how well the Royal Mail has adhered to this agreement and what mechanisms do PostComm have to allow third parties to feed into this assessment?

These concerns come on the back of your statement:

"Postcomm has previously asked Royal Mail to provide Postcomm with details of its internal review. Royal Mail has not provided the information."

We do not concur that you should adhere to a vague and voluntary agreement to assess need when they have failed so far to keep you up to date. Instead, PostComm should look to strengthen its regulatory control over Royal Mail.

Furthermore, anecdotal evidence from our membership, suggests services have **worsened** since June not improved. We have had dozens of complaints about disruption. This covers late delivery, lost invoices, reduction of services and price rises. There is serious discontent amongst our membership and there is a fear that they have used the floods and strikes as an excuse to cover a deliberate worsening of services.



Without these guarantees from the regulator we fear the gradual reduction of quality of service as the Royal Mail uses this, rather than real innovation or efficiency, to cut costs.