

A Review of Royal Mail's Collection and Delivery Times – The Way Forward

The needs of users in relation to collection and delivery times

June 2007

Summary

Purpose of the review

- S.1 Postcomm began its review of collection and delivery times in order to establish whether customers' needs remain sufficiently protected by Royal Mail's collection and delivery practices or whether regulatory intervention, such as a licence modification, was required. It was generated by concern from the public, Postwatch, the National Audit Office and the Public Accounts Committee that this aspect of the postal service was in decline, or at least vulnerable to decline.
- S.2 There are parts of Royal Mail's service which Postcomm relies on Royal Mail to self-regulate, for example, its operational practices, which currently includes collection and delivery times. This is distinct from Royal Mail's core universal service requirements such as providing at least one collection and delivery every working day, and additional regulatory requirements such as quality of service targets which are protected by Royal Mail's licence.
- S.3 Collection and delivery times are, therefore, an aspect of Royal Mail's service which Royal Mail is able to alter without regulatory approval, and following the concern that this aspect of the postal service was declining, particularly in rural areas, Postcomm initiated its review. Postcomm has a statutory duty to have regard to the interests of vulnerable customers, which includes customers who reside in rural areas.
- S.4 Postcomm also has a statutory duty to ensure the provision of a universal service. The universal service comprises a number of dimensions which affect the customer experience, for example, the uniformity of prices to anywhere in the UK, a product range incorporating letters, parcels etc. and a regulated frequency and reliability of collections and deliveries. Postcomm's principal focus in considering the way forward in relation to this review has been the need for the universal service, provided by Royal Mail, to meet the

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reasonable needs of customers in relation to collection and delivery times, thereby enhancing customers' ability to use the universal service. Whilst this is not currently a legal requirement Postcomm considers it an important part of the customer experience.

Consultation and research to date

S.5 A consultation document was published in October 2006 which sought views from as many customers as possible, especially residential and small business customers, about the impact of changing collection and delivery times. There were 47 responses to the consultation – many more than Postcomm often receives.

S.6 In parallel with the consultation process, more detailed market research to identify customers' needs, and relative willingness to pay for increased or decreased service levels (by using price as a common denominator) and willingness to accept changes in service levels, was carried out on behalf of Postcomm, Postwatch and Royal Mail by independent market research and consultancy experts. Amongst other things, customers' relative willingness to pay for changes in collection and delivery times, and to accept changes in service levels, was used to understand customers' needs. It also enabled the impact that service level changes have on customers to be compared with one another.

Findings

S.7 The consultation responses and the results of the market research (which will also be published today), along with other information available to Postcomm, such as the information Royal Mail regularly provides in accordance with its licence, show that, currently, there is not a widespread problem with early collection times and late delivery times. Satisfaction with collection and delivery times scored highly amongst all respondents in the market research.

S.8 The findings also show that there are no major problems with Royal Mail's core universal service requirements, or other aspects of service which have additional regulatory requirements. However, they do indicate that reductions in the quality of service of collection and

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delivery times that customer's experience would be likely to meet widespread opposition from residential and small to medium sized (SME) business postal users.

Area of concern

- S.9 Royal Mail's operational specification allows the last collection to be made as early as 9am in deep rural areas. A significant finding from the market research is that a final collection time of 9am does not meet customers' expressed needs. This finding was derived by analysing the general results and, specifically, by comparing the relative willingness to pay for increased and decreased service levels. As such, this issue is of most concern to Postcomm.
- S.10 Whilst Postcomm is concerned with the impact late delivery times can have on customers, Royal Mail's operational specification for deliveries is not as inconsistent with customers' expressed needs for delivery times as it is for collection times.

Regulatory response

- S.11 The findings indicate that the most effective and proportionate outcome of this review would be to ensure that action is taken to restore rural collection times to levels that are more acceptable to customers, and to seek to prevent any significant deterioration in service levels going forward. In considering any changes, Postcomm must balance the impact a change in service would have on users with the costs to Royal Mail of providing it. In assessing this balance Postcomm may need to take into account customers' willingness to pay, recognising that for social mailings, the universal service must be priced on a geographically uniform basis.
- S.12 Royal Mail has reflected on the evidence gathered as part of this review and has offered a commitment to review all collection points with a morning collection time between Mondays and Fridays, with a view to putting back the final collection time to midday or later, where practicable. Royal Mail will develop a reasonable practicability test during the consultation period for Postcomm's consideration.

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- S.13 Postcomm considers that it is appropriate to accept Royal Mail's commitment to review collection times in rural areas rather than impose a formal licence requirement. It is the most proportionate regulatory response at this time, given the evidence that customers are generally satisfied with collection and delivery times, and it should also help to ensure that rural customers have reasonable access to the universal service.
- S.14 Should Royal Mail's review, and the application of the reasonable practicability test, not result in an improvement to the collection service in rural areas going forward, Postcomm will need to consider whether more formal regulatory intervention is required to ensure the needs of customers in rural areas are protected.

Future work

- S.15 Royal Mail is about to embark on a wide ranging Transformation Plan. This will involve substantial changes to the way it organises its business. Postcomm has told Royal Mail that it must use the Transformation Plan to improve its efficiency and reduce its costs, in order to promote customers' needs generally and to protect the long-term future of the universal service. Postcomm expects Royal Mail to have developed its Plan to ensure that customers benefit from the changes it makes and expects the overall outcome of the Transformation Plan to result in improvements to Royal Mail's service and efficiency, as well as helping to safeguard the future of the universal service. This is particularly relevant for those customers who cannot switch to other operators.
- S.16 Against a background of changes in the way customers use mail and increasing use of electronic technology to communicate, Postcomm is also conducting a wide-ranging Strategic Review that includes consideration of what, if any, changes may be appropriate to the way in which collections and deliveries are carried out.
- S.17 Postcomm will continue monitoring Royal Mail's costs and performance, and customers' needs, and revisit the issue of whether

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further measures for collection and delivery times are required during the 2010 price control discussions.

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