

Post Implementation Review of the Postal Services Act 2011

Written evidence from the Rural Services Network

The Department for Business, Energy & Industrial Strategy (formally the Department for Business, Innovation & Skills) is seeking views about the operation of parts 2 and 3 of the Postal Services Act (2011). In particular, the regulatory framework for postal services and the Universal Service Obligation (USO) for postal delivery and collection, for which the Royal Mail is designated as the universal service provider.

This response comes from the Rural Services Network (RSN), which is a membership organisation representing 154 local authorities (county, unitary and district councils) and almost 100 other rural service providers (such as fire and rescue authorities, housing associations and public transport operators). Thousands of parish/town councils and community bodies are associate members. The RSN exists to: make representations on issues affecting rural services; promote active networking among rural providers and sectors; and establish and share rural best practice.

By way of context we note that 18% of the England population lives in a rural area, as defined by the Office for National Statistics and Defra. Roughly half of them live in settlements of 3,000 to 10,000 residents (rural towns) and half live in smaller settlements with fewer than 3,000 residents. This includes those places where it is inevitably more expensive to deliver and collect mail, and which the USO is designed to protect.

The RSN notes that stakeholders are asked to consider six issues when responding. This response focuses on three of them. The RSN does not have sufficient evidence to comment on either the performance of the regulator or the effectiveness of the regulatory regime, and it is not suggesting any non-legislative changes. The other three issues are now briefly commented upon in turn.

Q. How do you measure how well the postal services market is working for users of postal services? How has the consumer experience changed since the Act was introduced?

From the perspective of rural households and businesses the prime measures could be summarised as follows:

- That they consistently receive a Monday to Saturday postal delivery to their home or premises, which arrives at an affordable and standard national price (or uniform public tariff, to use the language of the Act);

- That they consistently benefit from mail collected from Monday to Saturday at nearby access points (e.g. post boxes), where they can send mail at an affordable and standard national price.

As far as we are aware, this level of service is being delivered to rural communities. We are not in receipt of evidence or local intelligence to the contrary. If it were otherwise, the RSN would almost certainly receive comment and feedback through its various networks.

Taking those two measures, we do not believe that the consumer experience has altered in any fundamental way since the introduction of the Postal Services Act 2011. We are, though, very aware that the volume of letter mail has been declining and the volume of parcel mail (much of which falls outside the USO) has been increasing. We also recognise that the postal market is adapting – particularly the parcels sector, with competition from new entrants and a considerable degree of product innovation. However, that competition is more noticeable in urban centres: for example, parcel collection points, stores and lockers.

Q. What is your view on the outlook for the sustainability of the USO? What, if any, changes to the specification of the USO do you believe are required to ensure it remains sustainable and affordable?

The RSN strongly supports the retention of the postal services USO (alongside other USOs for core utilities and services). Postal collection and delivery remains vital to business and households alike, and this is as true in rural areas as it is elsewhere. If there were no USO safeguard the rural economy and rural consumers would almost certainly be placed at a disadvantage in terms of mail price and/or service frequency. This would have knock-on costs and consequences e.g. as businesses became less efficient or avoided rural locations.

It is recognised that currently there is widespread support for the USO. The RSN is, however, concerned that over time that support could erode or be called into question if the balance of interest were to favour competition and cost over the provision of the universal service. There is a risk that cost pressures faced by the universal services provider (Royal Mail) and market pressures from competitors could incrementally undermine the USO.

It is the view of the RSN that other significant players in the mail market (those who are not the designated universal service provider) should therefore make a financial contribution towards the cost of maintaining the USO. We do not believe that the entirety of the USO cost should fall upon one provider. Nor do we think it is right that other significant players can cherry pick urban markets and focus their operations on the most profitable locations. This could be seen as unfair competition. If they were

required to contribute financially towards the USO cost, that would help ensure its longer term sustainability.

Q. What changes, if any, do you think we should make to the Postal Services Act 2011? What would you expect the impact to be?

We assume that changes would need to be made to paragraphs 35 and 36 (and possibly other parts) of the Postal Services Act 2011 in order that all significant players in the mail market should contribute towards the cost of the postal services USO.

As noted above, we consider that the impact of such a change would be to put the USO onto a more sustainable footing, to the benefit of consumers (especially those in less commercial locations).

If any other changes to the Act are contemplated, as a result of this review, it is important that they are 'rural proofed', as all policy developments by Government departments are supposed to be. This would identify, test for and address the rural implications, to avoid unforeseen and negative impacts. The Rural Team within Defra, of course, have guidance and information to assist with rural proofing.

Aside from this the RSN considers that Government should use the outcome of this review to re-affirm its commitment to the postal services USO. That would send a strong and a positive message which would be welcomed by rural communities.

Rural Services Network
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