

25 FEBRUARY 2022

PR 2-22 OFCOM REVIEW OF POSTAL REGULATION

The National Association of Local Councils (NALC) is the nationally recognised membership and support organisation representing the interests of around 10,000 parish and town councils and many parish meetings in England, 70% of which are situated in rural areas. Local (parish and town) councils are the backbone of our democracy and closest to local people, providing our neighbourhoods, villages, towns and small cities with a democratic voice and structure for action, contributing in excess of £2 billion of community investment to supporting and improving local communities and delivering neighbourhood level services.

Summary

- Approximately 70% of local (parish and town) councils are located in non-urban (or rural) areas so it is essential that over the next 5 years those local councils receive a solid, reliable postal service from the Royal Mail. Therefore, NALC strongly supports maintaining the current overall framework for regulating Royal Mail in relation to the universal service.
- Local councils can also be defined as consumers so NALC also strongly supports OFCOM retaining all existing safeguards to protect consumers.
- NALC is strongly in favour of OFCOM requiring Royal Mail to adopt a fair and sustainable approach to its longer-term objectives for postal delivery – to all (including remote) areas of the country. So, we also support OFCOM increasing its own understanding of Royal Mail’s longer-term sustainability outlook for the universal service.
- We understand that many community hubs in remoter rural areas can act as hubs for accepting receipt of Amazon, DPD as well as Royal Mail packages. Flexibility and competition should therefore continue to be encouraged – to ensure that residents in remote parished areas continue to be able to receive delivery of mail and packages from a variety of sources. So we support OFCOM continuing to promote effective competition in the wider postal markets.
- Since local councils are consumers and deserve the same protections as other consumers regarding mail deliveries and parcel collections and deliveries, NALC also supports OFCOM introducing new targeted consumer protections for parcel services.

- Any review of postal regulation must take account of the need for an appropriate programme of continuing and realistic revenue support for the Sub Post Office network, including PO Local and Outreach.
- Local Post Offices are a very important part of the fabric of local communities and the review should recognise that with the majority of their postal revenue coming through Royal Mail, business changes to regulation may have an indirect impact on the viability of local Post Offices.
- We support the continuation of a strong, flexible Universal Service Obligation (USO) for postal services over the next five years and beyond. We support OFCOM continuing to require Royal Mail to have an extensive network of access points (e.g. post boxes) for the universal service. We think strongly that the 115,000 post boxes across the UK should be retained, and that users should be able to continue to access USO services at approximately 11,600 post offices.
- OFCOM should continue to require Royal Mail to have a statement of arrangements to ensure that those in remote areas, whose premises are not within 10km of an access point, are provided with reasonable access to such facilities. This will continue to mean that, in practice, the vast majority of users will have a range of access points available to them.
- We are concerned that there is insufficient emphasis given to the environmental sustainability of the universal postal service in some of the proposals. The proposals do refer to the need to consider moving towards a net zero economy but then give the main emphasis to financial sustainability. We are strongly of the opinion that transport is now the single biggest source of carbon emissions nationally and the current practices for the delivery of parcels are very transport intensive. This is especially the case for rural areas.

NALC's responses to the consultation proposals with most relevance to local councils are below:

Section 2: The postal services market and our proposed approach to regulation

Question 2.1: Do you agree with Ofcom's proposed regulatory approach for regulating postal services over the next 5-year period (2022-2027)? If not, please explain the changes you think should be made, with supporting evidence.

- Yes, we agree with OFCOM's proposed regulatory approach for regulating postal services over the next 5 year period (2022-2027).

Section 3: Financial sustainability

Question 3.1: Do you agree with our proposed approach to sustainability of the universal service? Please substantiate your response with reasons and evidence.

We agree overall with the proposed approach to sustainability of the universal service. However we are concerned that the decarbonisation of transport could have a significant impact on the longer term financial sustainability of postal services, especially for parcels in rural areas. While the most significant impact of these changes is not likely to be seen until after the end of the current consultation period in 2027 we are concerned that market changes that develop under the current business model may make environmental sustainability more difficult to achieve, especially in rural areas.

Section 4: Efficiency

Question 4.1: Do you agree with our proposal to maintain the historic approach but with the additional requirement on Royal Mail to set and report against a five-year expectation? Please substantiate your response with reasons and evidence.

Yes. However OFCOM does need to be cognisant that with so much planning and reporting suggested, this could massively increase administration costs throughout the business. Also, environmental targets in terms of moving to net zero must be included within the efficiency reports.

Question 4.2: Do you agree with our proposals in relation to the monitoring and publication of the efficiency expectations prepared by Royal Mail? Please substantiate your response with reasons and evidence. Please substantiate your response with reasons and evidence.

- Yes. However, with so much planning and reporting suggested, this could massively increase administration costs throughout the business.

Section 5: USO letters regulation

Question 5.1: Do you agree with our proposed approach of maintaining the current regulatory safeguards of the safeguard cap, high quality of services standards, and requirements on access to universal services? Please substantiate your response with reasons and evidence.

Yes. However, just 40% of residential users would feel cut off if there is not a daily (6 days/week) delivery of letters. To reduce costs going forward there should be consultation with the government to see whether reducing the number of days letters are delivered would be beneficial. Also, continued maintenance of the USO letters regulation will allow Royal Mail to set strong targets for environmental sustainability.

Question 5.2: Do you agree with our proposal to not impose further regulatory requirements on Royal Mail in relation to Redirection pricing, following implementation of its improved Concession Redirection scheme? Please substantiate your response with reasons and evidence.

- Yes, we agree with your proposals to not impose further regulatory requirements on Royal Mail in relation to redirection pricing, following implementation of its improved Concession Redirection scheme.

Question 5.3: Do you have any further evidence on other issues raised in this section?

- Antrobus Parish Council, Cheshire have informed us that the post box in the centre of Antrobus was decommissioned without prior notice from Royal Mail. Subsequent communication with Royal Mail to replace the post box was challenging with delays in responses and contradictory responses. The post box was eventually replaced after a lengthy delay. They suggest that a structured approach to customer concerns would assist in reducing delay, duplication, and inconsistent responses.

Section 6: Parcels market regulation

Question 6.1: Do you agree with our assessment of the parcels market, namely that it is generally working well for consumers, but improvements are needed in relation to complaints handling and meeting disabled consumers' needs? Please substantiate your response with reasons and evidence.

- Yes, we agree with your assessment of the parcels market, namely that it is generally working well for consumers, but improvements are needed in relation to complaints handling and meeting disabled consumers' needs.
- We foresee practical problems regarding disabled customers but agree that local, regular postal delivery persons do often know the householder and when extra assistance is required. This rarely occurs with other operators.
- However, the competition in the parcels sector is generally more intense in urban areas than in rural areas. In many of these areas the Post Office is an important part of the fabric of the local community and it is important that its role as a collection point for B2C business and as a key point of the C2X business is not undermined in an attempt to encourage local competition.

Question 6.2: Do you agree with our assessment of the consumer issues in relation to complaints handling and our proposed guidance? Please substantiate your response with reasons and evidence.

- Yes, we agree with your assessment of the consumer issues in relation to complaints handling and proposed guidance.

Question 6.3: Do you agree with our assessment of the issues faced by disabled consumers in relation to parcel services and our proposed new condition to better meet disabled consumers' needs? Please substantiate your response with reasons and evidence.

- Yes, we agree with your assessment of the issues faced by disabled consumers in relation to parcel services and the proposed new condition to better meet disabled consumers' needs.
- We foresee practical problems regarding disabled customers but agree that local, regular postal delivery persons do often know the householder and when extra assistance is required. This rarely occurs with other operators.

Section 7: USO parcels regulation

Question 7.1: Do you agree with our proposal not to include tracking facilities within First and Second Class USO services? Please substantiate your response with reasons and evidence.

- Yes. But competitors would not want this option open to the Post Office as they receive a VAT concession, but it could be a reason why some consumers are not using Post Office parcel deliveries. However consumers do not appear to want to pay much extra for the service.

Question 7.2 Do you have any further evidence or views on other issues relating to USO parcels regulation? Please substantiate your response with reasons and evidence.

- We do not have any further evidence or views on other issues relating to USO parcels regulation.

Section 8: Access for Bulk Mail

Question 8.1: Do you agree with our proposals on the scope of access regulation? Please substantiate your response with reasons and evidence.

- Yes. We agree with your proposals on the scope of access regulation.

Question 8.2: Do you agree with our proposals on access price regulation? Please substantiate your response with reasons and evidence.

- Yes, we agree with your proposals on access price regulation.

Question 8.3: Do you agree with our approach and proposals for the non-price terms of access regulation? Please substantiate your response with reasons and evidence.

- Yes, we agree with your approach and proposals for the non-price terms of access regulation.