

**CWU Submission to Ofcom Consultation:
Royal Mail – Roll Out of Delivery to Neighbour Scheme**

1. The Communication Workers Union (CWU) is the largest union in the communications sector in the UK, representing over 200,000 employees in the postal, telecoms and related industries. It is the recognised union in Royal Mail Group for all non-management grades. The CWU welcomes Ofcom's consultation on the national roll out of Royal Mail's Delivery to Neighbour scheme and supports Ofcom's proposal to approve this request.

Do you agree that Ofcom should grant approval to Royal Mail for the Delivery to Neighbour service?

2. The CWU welcomes Ofcom's proposal to approve Royal Mail's Delivery to Neighbour service. As Ofcom's consultation document notes, Royal Mail is 'the only major postal delivery company currently not permitted to deliver to a neighbour as part of its standard delivery practice' and its application is 'part of an ongoing process to bring its terms and conditions more in line with other delivery companies who are not subject to the same restrictions.' The CWU has repeatedly called for the disparity in the regulation of Royal Mail and its competitors to be addressed in order to help sustain the universal service and the union believes that approving the Delivery to Neighbour service is a positive step towards this.
3. While the ability to deliver to neighbours of an addressee may, as Ofcom states, be a 'smaller factor in relation to Royal Mail's competitiveness...compared to other factors which have been identified in previous reviews', it is particularly important to ensure there is a level playing field in the way that delivery services are regulated, given the likelihood of 'end-to-end' competition developing in the market.
4. Under Postcomm competition was actively promoted through downstream access and was allowed to develop to a point which posed a material threat to the universal service. While acknowledging problems with the access regime in its consultation *The building blocks for a sustainable postal service* in April 2011, Postcomm noted that competitors had based their business models on the access regime at that point and that it was therefore restricted from making significant changes to it to redress the balance. As we have stated in our previous submissions to Ofcom it needs to take a different approach and prioritise the survival of the universal service from the outset with any new forms of competition.
5. End-to-end competition will impact on Royal Mail and the sustainability of the universal service in a different and potentially further reaching way to downstream access, with Royal Mail retaining no share of the revenue with items processed and delivered by other operators. There is a clear risk that competitors, being free from the costs of the USO, will 'cherry-pick' the most profitable areas for delivery and win business from Royal Mail which would otherwise help to sustain the obligation and Ofcom therefore needs to ensure there is a level playing field for Royal Mail.

6. This is particularly important in relation to packets and parcels services, a growing and profitable segment of the mails business which delivery to neighbour is aimed at improving. As evidenced in Consumer Focus' recent research *Sense and Sustainability* consumers expect and want to see new delivery options for packets and parcels and Ofcom should be alive to this.
7. In relation to the trial of the scheme, we note that both Consumer Focus's and Royal Mail's research showed high levels of satisfaction with the service among recipients whose mail was left with a neighbour and that across 750,000 addresses included in the trial, Royal Mail received only 13 complaints about the principle of mail being left with a neighbour.
8. The CWU also believes that important safeguards are in place for a full national roll out of the service, with Royal Mail retaining liability for mail until it is received by the addressee and customers having the ability to opt-out of the scheme.

Are there other consequences following the roll out of the service across the UK that we have not included in our assessment?

9. While the CWU supports Royal Mail having a level playing field with competitors we note that Royal Mail's request for approval of the service and its trial report from the pilots state that there were no reports from delivery postmen or women of additional time being taken in conducting delivery tasks and that there were no additional delivery costs incurred.
10. Where a postman or woman leaves a packet with a neighbour there is clearly extra time involved and a greater distance being covered on a delivery route. For each item being left with a neighbour there is at least one additional address to visit and a card to be filled out for to be left with the addressee and we are currently in discussions with Royal Mail over how this is reflected in the measurement of workload for employees.
11. While we do not believe this is a factor which should preclude Ofcom from granting approval to Royal Mail's application, it is important for Ofcom to be aware that the service does involve a significant potential for greater workload for delivery staff and increased time on delivery rounds. Significant change has been made in Royal Mail and the union is not in any doubt that the company needs to undertake this change. However, in its overall approach to regulation Ofcom needs to recognise the physical demands placed on staff, in being expected to carry more mail for longer periods of time, particularly as the mail profile and the job changes over time.

For further information on the view of the CWU contact:

Billy Hayes
General Secretary Communication Workers Union
150 The Broadway
London
SW19 1RX

Tel: 020 8971 7251
Fax: 020 8971 7430
Email: bhayes@cwu.org

23 August 2012