

Ofcom Consultation – Securing the Universal Postal Service

Question 5.1: Do you agree with the assumptions set out in paragraph 5.86 above? If not, please set out your reasons.

Not entirely. While the first two conclusions stated are intrinsic in sustaining a universal service the economics of the postal system should not just be self funding. Where necessary the tax payer should bear the burden of sustaining a universal postal service. The withdrawal of postal services especially in rural areas on purely financial considerations has done much to erode the sustainability of many rural communities. When postal services are reduced and post offices closed shops and other business in rural settings come under increasing strain.

Question 6.1: Do you agree with our proposal to impose a regulatory condition on Royal Mail to require it to provide the universal service as set out above? If not, what alternative approach would you suggest?

No. There is of course a need for a regularotory framework but government should also review its policy towards postal services to ensure that realistic and sufficient funding is available to sustain a universal service at costs which do not price the postal services out of business.

Question 6.2: Do you agree that a price control is not an appropriate option at present for regulating Royal Mail's prices? If not, please explain why and how a price control could be implemented effectively.

This question seems flawed. What is regulation of prices if not price control? The proposals set out in the consultation whill only work in the longer- term if Government reassesses the role, functions and provision of postal services to ensure that a universal and viable postal service is maintained.

Question 6.3: Do you agree with Ofcom's proposals to put in place regulatory safeguards as described above? If not, please provide reasons.

Yes and No. If the regulatory framework is focussed on allowing the Royal Mail to operate in a purely business model approach then the Royal Mail is doomed to failure. The paradigm here is unsustainable. If Royal Mail is to continue to try to operate a universal postal service based purely on business lines it will not be long before the service becomes even less universal and for that matter less a service than a business than it has already become over the past ten years.

Question 6.4: Do you agree with Ofcom's proposals to put in place a monitoring regime? If not, please provide reasons.

Yes.

Question 6.5: Do you agree with Ofcom's proposals for an index-linked safeguard cap on standard letters from 45p to 55p? If not, please provide reasons.

Yes but would prefer to see the index linked safeguard as low as possible.

Question 6.6: Do you agree with Ofcom's proposal that the approach outlined above remains in place for seven years? If not, please provide reasons.

No. The approach is inherently flawed and will have to be reviewed and recast sooner than 7 years if implemented. One example is that it is unfair and unworkable to impose on Royal Mail the obligation of providing a universal service while allowing the competition far more freedom.. Recognising that Royal Mail are the only possibility of a universal mail service they will be at the mercy of the competition who with access to the Inward Mail Centres will be able to off-load the "uneconomic" elements of their business onto the Royal Mail.

Question 7.1: Do you agree with our approach to assessing end-to-end competition? If not, please give your reasons.

No. The services provided as a universal service by Royal Mail and that provided by competitors simply to maximise profit is like comparing apples and pears. The competition will not undertake business unless it is inherently profitable especially in rural settings leaving the Royal Mail to carry this burden.

Question 7.2: Do you agree with Ofcom's proposals to impose an obligation on Royal Mail to provide access at the Inward Mail Centre? If not, please give reasons.

No. Open access will always favour the Royal Mail's competition. Access if given needs to be negotiated. Recognising that Royal Mail are the only possibility of a universal mail service they will be at the mercy of the competition who with access to the Inward Mail Centres will be able to off-load the "uneconomic" elements of their business onto the Royal Mail.

Question 7.3: Do you agree with Ofcom's proposals in respect of regulating margin squeeze? If not, please give reasons.

This is a complex proposal and it is difficult to grasp the wider ramifications.

Question 7.4: Do you agree with our approach concerning the Terms and Conditions for access, including the role of equivalence and the regulation of zonal pricing? If not, please give your reasons.

Clearly issues of non-equivalence need to be addressed which might go some way in addressing other concerns. However like margin squeeze this is a complex proposal and it is difficult to grasp the wider ramifications.

Question 8.1: Do you agree with the objectives for regulatory financial reporting that we have set out above? Please provide details to support your response.

No. The proposals for regulatory financial reporting if implemented are yet another example of why Royal Mail will always be relatively uncompetitive. The proposals while on the face of them seem sensible put restrictions on Royal Mail which do not apply to their competition.

Question 8.2: Do you agree that our regulatory financial reporting proposals, set out in this section and the supporting Annex, are appropriate and proportionate? Please provide reasons and evidence to support your views. Securing the Universal Postal Service 125

No. Some regulation is required but the proposal seems excessive. See response to Q 8.1.

Question 8.3: Do you agree with our proposals on the rules and requirements contained in the draft Regulatory Accounting Guidelines and do you consider that

they are likely to provide an appropriate and proportionate level of cost transparency and accounting separation?

No.

Question 8.4: Do you agree with our proposals set out above in relation to accounting separation? Are there any further risks that you think Ofcom needs also to consider in making decisions in this area? To the extent that you consider there to be risks associated with our proposals, how do you consider they might best be addressed?

No

General Comments:

The Scottish Churches have followed the developments in provision of a universal postal over the last ten years. In that time we have seen many post offices close and postal services especially to remote rural communities decline considerably. Your current proposal seem to be yet another step on the road to undermining and eroding postal services and making it increasingly difficult for Royal Mail to continue providing anything approaching a universal postal service. These proposals inherently favour the Royal Mail's competition and take little account of the increasing isolation of communities who can be judged to be uneconomic to service. This applies especially in rural settings where anything approaching a universal postal system will always be inherently uneconomic. It is only through government policy changes that this can be addressed.

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