

ONEPOST response to OFCOM's consultation on End to End competition

5.1 Do you have any comments on the approach set out above to assess the financial impact of end-to-end competition on the universal service and/or do you consider that any other approach would be appropriate?

We appreciate that OFCOM has a duty to protect the Universal Service but are concerned that any assessment of the financial impact of end to end competition could end up limiting competition unnecessarily. Royal Mail has had little real incentive to improve efficiency in delivery and will no doubt argue that any end to end competition would impact on its profitability and – potentially – its ability to deliver the Universal Service. OFCOM will need to be convinced that it has taken into account all possible actions that could be taken by Royal Mail to mitigate the impact in its assessments. This should, for example, include whether Royal Mail has taken adequate steps to mitigate lost volume (eg due to e-substitution) and whether its business plan and projections are realistic in relation to current performance and comparisons with other European markets, and whether it is paying market rates to its employees. This should also be viewed in the context of what is covered by the Universal Service since it would be unreasonable to assess the financial impact of providing services that are currently beyond the reasonable needs of users.

6.1 Do you agree with our approach to assessing the need for intervention in relation to end-to-end competition? Do you consider that any other approach would be appropriate?

With so many “variables” or factors that are considered to be outside Royal Mail’s control there is a real danger that any end to end competition could be assessed as detrimental even though experience in other markets has often shown the reverse. We believe that intervention should be a last resort and only justified when there is absolute evidence that the proposed end to end competition will directly impact on the provision of the Universal Service and not simply to defend Royal Mail’s monopoly.

6.2 Do you have any comments on the factors that we would need to take into account when considering the types of intervention that may be suitable?

We believe that some of the types of intervention being proposed could end up being detrimental to all postal operators including Royal Mail itself. Reducing or removing the requirement to provide downstream access has the potential to reduce overall volumes going through Royal Mail’s network even more, and requiring end to end competitors to increase their level of service could have the same effect by making them more attractive to users!

Although the principle of a compensation fund sounds like a good idea it cannot be simply a disguised subsidy for Royal Mail to compensate for inefficiency or paying above market rates for labour. If Royal Mail is unable to provide the Universal Service then other options should be considered (such as other postal operators providing parts of the Universal Service) rather than providing more funds to Royal Mail