



## Response to Ofcom's review of postal users' needs

December 2012

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## About Citizens Advice

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The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity, promotes equality and challenges discrimination.

The service aims:

- to provide the advice people need for the problems they face
- to improve the policies and practices that affect people's lives.

The Citizens Advice service is a network of nearly 400 independent advice centres that provide free, impartial advice from more than 3,500 locations in England and Wales, including GPs' surgeries, hospitals, community centres, county courts and magistrates courts, and mobile services both in rural areas and to serve particular dispersed groups. In 2011/12 the Citizens Advice service in England and Wales advised 2.03 million people on 6.9 million problems.

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## Ofcom review of postal users' needs

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We welcome the opportunity to respond to the consultation on postal users' reasonable needs.

The consultation document explores at length and in detail the needs of users relating to all the services currently provided by Royal Mail and considers the extent to which they could be amended or revised, particularly in relation to its obligations under the universal service obligation.

A number of potential changes to the universal service obligation are focused on, most notably introducing a single tier of postage to replace first and second class letters, and reducing the number of days that mail is delivered and collected from six to five.

While we accept that there may be a case for amending the universal service obligation in such a way as to reduce costs for Royal Mail, we believe the direct and indirect impact on users should be the primary consideration.

We note that Ofcom's research suggests that lower tolerance for the changes appears to be concentrated among those groups who arguably depend most on the services provided by Royal Mail: people living in rural and deprived areas and older people.

Another factor which is not examined in detail in the consultation document is the knock-on effect that any mooted changes to the universal service obligation may have on the Post Office network. The fates and fortunes of Post Office Ltd and Royal Mail will continue to be inextricably linked for at least the next decade, despite their planned privatisation and mutualisation respectively, and we would be concerned about any changes to Royal Mail services which would affect the viability of the Post Office network.

Post Offices make an invaluable contribution to the social and economic wellbeing of the communities and businesses they serve through the unique range of services they provide. For example, in rural and deprived areas, they may be the only easily accessible location to withdraw cash for free. That basic transactions can also now be carried out for all basic bank accounts and most current accounts makes Post Offices invaluable in areas where banks no longer have branches. Some of the services provided via Post Offices address market failures, and with the stated intention of the Government to make the network the front office of Government, its value seems unlikely to diminish.

As such, if any of the changes to the universal service obligation discussed in the consultation document would lead to a reduction in revenue for the Post Office, the unintended consequences could outweigh the benefit in savings to Royal Mail.

There is also a wider issue about the extent to which Royal Mail operates in a competitive market. Its competitors are not presently subject to the universal service obligation or any rebalancing mechanism which could risk Royal Mail's ability to maintain the universal service if rival end-to-end postal services emerge and compete only for the most profitable parts of the market. We understand this issue is being addressed in a separate Ofcom consultation at the moment but it is nonetheless an important part of the context when considering the reasonable needs of postal users.

We are conscious that Ofcom is not currently proposing to implement any of the changes discussed in the consultation document but our impression is that further exploration of the reducing in delivery and collection days, and changes to first and second class post are very much on the regulatory agenda. In any consultation on such changes we would expect that the knock-on effect on the Post Office network would be investigated in depth.