

## **ACNI response to Review of Postal Users' Needs**

The Advisory Committee for Northern Ireland (ACNI) is impressed with the breadth and rigour with which this Review has been carried out. It is vital for Ofcom and helpful for stakeholders and Advisory Committees in the nations to understand just what consumers expect and need from Royal Mail.

This research is especially timely given the rapid changes taking place in how people communicate. The decline in mail volumes over the last five years has been significant but it is obvious that the service provided by Royal Mail, as the Universal Service provider, remains important and valued by the majority of users.

Ofcom has already signalled that it wants to see the Universal Service maintained. We note the decision to remove the cap on the price of first class stamps earlier in 2012 and the justification for doing so – so that the price of providing the service more adequately reflects the cost of providing it.

We believe that the subsequent rise in the price of a first class stamp wasn't too onerous in the context of the volume and cost of sending mail to the average user over time. And we believe the decision to cap the price of second class stamps and parcels provides an adequate safety net for consumers.

But as the *Review of Postal Users' Needs* highlights, greater consideration needs to be given to how else the postal service can be tweaked A) to ensure the continuation of the Universal Service in something close to its present form and B) to ensure that consumers are getting what they want from this service now and in the future.

According to the *Review of Postal Users' Needs*, these requirements are little different in Northern Ireland compared to other parts of the United Kingdom. However, the ACNI feels strongly that while the needs of consumers here are broadly similar, we are convinced that the Universal Service Obligation is something from which consumers in the region benefit more and, as such, it is paramount that the element of the USO guaranteeing deliveries to and from anywhere in the UK at a uniform price is maintained.

Given the dispersed nature of the settlements in Northern Ireland and the need to fly mail to and from Britain, it is obvious that consumers here would lose out from a change to this element of the USO to something akin to a regional pricing regime.

This doesn't appear to be part of Ofcom's thinking presently and we hope this continues to be the case.

On the main points of the report, we were pleasantly surprised by the generally high levels of satisfaction which users have in the current service. In some respects though this does point to some over provision of service and could signpost the way for a slimmer (in terms of product provision) and more cost effective service.

The Review highlighted a number of products, currently provided by Royal Mail, which aren't well understood and are rarely used. In other cases, consumers are using products which do either much less or much more than they want or expect.

Consumers make better choices through being better informed. It would be easy to suggest that consumers need more information about these products and this is true. However, there appears to be too many products or services to choose from in the first place. When people engage with the Royal Mail they do so infrequently so the when they do, the choices need to be simpler and clearer.

On the more substantive issues of next day and six day delivery, our views are these:

**Next day delivery:** The Review highlights the rise of electronic communications which, for most people, has largely replaced the need for next day postal delivery. The fact that so many people still prioritise the purchase of first class stamps over second class ones suggests there is some disconnect between consumers' perceptions and needs. Perhaps if consumers better understood that second class means a slightly slower service and not a "second class" service it might actually become a more popular class of service.

This provides a scenario where the Government and Ofcom could amend this part of the USO at some point in the future in a way that would serve consumers just as well. This is especially relevant if the savings from such a move could be harvested to ensure the continuation of considerably more important elements of the USO.

It is encouraging that consumers appear receptive to such a scenario. However, a single class of service would need to be price capped to protect vulnerable and less well off consumers. It should be noted that while the Review highlighted some support for a single slower class of service, they did so on the understanding that such a service would be cheaper than First Class.

**Number of collection and delivery days:** It is apparent that because consumers are not as reliant on the postal service as they were, there may at some point in the future be a case for looking at whether there has to be collections and deliveries six days a week.

There are significant costs involved with offering this level of provision which may outweigh the benefits consumers derive from these. It is telling that most consumers don't bother to open the mail on the day they receive it. This is not to say that some users would not miss or be inconvenienced by a move to drop deliveries and collections on a Saturday.

This is a difficult path for Ofcom and the Government to tread. However, there is an inevitability about the trends which have been highlighted in the Review and the steps that will have to be taken to ensure the maintenance of the USO. The ACNI notes the UK Government's intention not to change this during the current parliament and we support this. However, we believe this Review provides some useful pointers to likely future outcomes.

**Packet deliveries:** Perhaps the least surprising aspect of this Review was the higher levels of dissatisfaction about packet deliveries. Another recent Ofcom document (the International Communications Market Report) highlighted the rapid rise in online shopping. UK consumers are leading the way in this area with each one spending, on average, more than £1,000 on online shopping every year.

However, the convenience of shopping online is not matched by the experience of receiving these packets and parcels. ACNI is very concerned about Royal Mail's lack of innovation and general approach in this area.

Aside from findings contained in the Review, there is plenty of anecdotal evidence, inside and outside the ACNI, which suggests the collection regime for packages which could not be delivered is far too unwieldy.

Little thought has gone into the location of these centres, when they are open and how they deal with customers when they get there. The process is time consuming and dreary. As an absolute minimum, Royal Mail needs to radically rethink how it engages with consumers in this area.

Reports from Royal Mail suggest that the recently introduced “Delivery to the Neighbour” scheme has helped reduce the amount of undeliverable mail. However, as packet volumes continue to increase, it is apparent that Royal Mail has to do better in this area.

Technology is key. Tracking of parcels so as to allow deliveries to be made in pre set time slots should be implemented, perhaps for a fee. Such a service is already provided by some private sector postal operators and supermarkets for home grocery deliveries. In time, it may become economically viable to provide such a service in the evenings, when customers are most likely to be home.

In the longer term, there is also an onus on consumers to consider how they can make it easier to receive packets. New build houses and apartment blocks should include quick and easy drop off points. Government, Royal Mail, and the building industry should look to best practice elsewhere for pointers.

The ACNI notes current consumer resistance to central collection points but believes every scenario needs to be considered. Consumers will have to adapt to the changing communications and retail landscape too.

**Northern Ireland specific issues:** It is disappointing that the Review did not consider a Northern Ireland specific issue which the ACNI believes is a concern for postal users in the region - the extra cost and time it takes to send mail between Northern Ireland and the Republic of Ireland.

This is a common complaint from consumers and businesses, especially as the economies have become more integrated.

While the Republic’s national postal service – An Post – operates a ‘one price for all’ policy for deliveries from anywhere in the Republic to anywhere on the island of Ireland, Royal Mail does not. Instead, customers in Northern Ireland are charged international mail rates (at a minimum of 87p) when sending mail to the Republic.

Research presented to the ACNI by Consumer Focus Post has highlighted that many Northern Ireland businesses depend on an efficient and reliable cross-border service. Its own research shows that:

- 1 in 8 consumers and 2 in 3 businesses send post to the Republic regularly and half of cross-border mailers state that this is an essential service for their business.
- A quarter of consumers and 1 in 6 businesses have ‘crossed the border’ with mail destined for the Republic of Ireland to post it there because of the perceived faster delivery times and value for money.

The ACNI is concerned that Ofcom has not undertaken any research of its own in this area or formed an opinion when consumers in Northern Ireland are being so obviously disadvantaged.

## **Conclusion**

The overriding concern of the ACNI is to protect consumers so that they continue to have a postal service which meets the vast majority of their needs and at a price which they find reasonable. It is obvious that changing consumer habits presents enormous challenges for Royal Mail. Falling mail volumes means that, even with efficiencies, the average cost of delivering each item of mail has probably risen. It is equally obvious, this trend will continue.

At the same time, the Review highlights the importance of the postal service to the majority of consumers. People still send and receive letters and they value the regime that allows them to do this at a single (albeit two tier price) from anywhere in the UK to anywhere in the UK.

However, the Review suggests there might be some over provision in the level of service which Royal Mail currently provides. We are not advocating change in the short term but believe the Review is an extremely good piece of research in highlighting where the Universal Service Obligation might be tweaked to better reflect the needs of users in the future.

This is done, not to advance any diminution of service which would disadvantage consumers. Instead, the ACNI recognises and believes that altering some less important aspects of the USO would ensure it remains sustainable and available to consumers in the years to come. Beyond the sending and receiving of letters and parcels, the postal service also fulfils a broader social role in rural areas and for the elderly which is important but cannot be quantified.

Ends