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Gavin Knott
Floor 04
Dept Competition Policy
Ofcom
Riverside House
2A Southwark Bridge Road
London, SE1 9HA

5 January 2012

Dear Mr Knott

Re: Consultation on Securing the Universal Postal Service

The Federation of Small Businesses (FSB) welcomes the opportunity to respond to the above named consultation.

The FSB is the UK's leading business organisation. It exists to protect and promote the interests of the self-employed and all those who run their own business. The FSB is non-party political, and with in excess of 200,000 members, it is also the largest organisation representing micro and small sized businesses in the UK.

Small businesses make up 99.3 per cent of all businesses in the UK, and make a huge contribution to the UK economy. They contribute 51 per cent of the GDP and employ 58 per cent of the private sector workforce.

We will keep our response brief and will not reproduce statistics we have shared with Ofcom / Postcomm before. We would also like to acknowledge the consideration given to the small business sector in this consultation.

We appreciate that Royal Mail needs to become profit making and in the long term sustainable in an increasingly difficult market. We also recognise that the Universal Service Obligation (USO) is currently not financially sustainable and that maintaining the USO at existing levels of service is Ofcom's priority. We also welcome the consideration Ofcom has given to ensure that its proposed reforms will be monitored closely. However, we respond to this consultation with extreme concern that the small business community will disproportionately suffer under the new reforms.

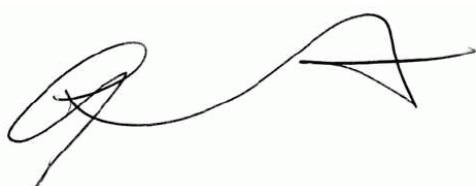
Our concerns surround the removal of price controls. While we understand the arguments surrounding this proposal, the impact of this reform will be strongly felt by small businesses. In the worst case scenario they may be priced out of the market with no suitable postal competitor to switch to. Another potential difficulty would be the length of time given ahead of a price change which will impact upon small businesses' forward planning.

We recognise that Ofcom is proposing that the basic USO remains affordable to all. In order for the FSB to have confidence in these reforms, we suggest expanding this category to ensure that the key services small businesses purchase from Royal Mail, remain affordable to the small business community. We suggest that Ofcom undertakes a study on this.

We do not agree with Ofcom's suggestion that: *While the issue of affordability is more complicated for small businesses, it is our working hypothesis that if prices are affordable for consumers they will also be affordable for small businesses.* This is because, firstly, most small businesses are likely to use Royal Mail's services on a more frequent basis than the consumer. Secondly, small businesses use a more diverse range of Royal Mail services than the consumer, and Ofcom is only proposing protecting the costs of a basic USO.

We trust that you find our comments helpful and that they will be taken into consideration.

Yours sincerely,



Clive Davenport
Chairman of the Trade and Industry Policy Unit, Federation of Small Businesses