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What do you want Ofcom to keep confidential?:

Keep nothing confidential

If you want part of your response kept confidential, which parts?:

Ofcom may publish a response summary:

Yes

I confirm that I have read the declaration:

Yes

Ofcom should only publish this response after the consultation has ended:

You may publish my response on receipt

Additional comments:

I have restricted my ocmments to Question 6.2 which i believe to be the most unacceptable.

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

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?:

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.:

Response to Ofcom Consultation on "Securing the Universal Service Obligation"

Mike Weir MP

Postal Affairs Spokesperson for the Scottish National Party.

The report is headed "Securing the Universal Service Obligation" but the proposals contained therein will not do so but will, at best, secure a very basic second class service for many rural and remoter communities which will have a very adverse effect both on consumers and small businesses.

There is, I believe, a fundamental difference of view about the nature of Royal Mail. Whilst the report is throughout intent in treating the Royal Mail as simply an ordinary company that requires to be brought back into profitability I believe that it should be more than this. Whilst it is vital to address the problems of Royal Mail it must also recognise the social aspect and ensure that those who rely on Royal Mail are not forgotten. I do not believe the present proposals do so.

I am restricting my observations to question 6.2 as I believe the proposals on price control pose the greatest risk to small businesses and consumers in Scotland, although they will also seriously impact upon other areas of the United Kingdom.

The removal of the cap could have very serious consequences for small businesses throughout Scotland who rely on Royal Mail's services. The Ofcom proposal would allow Royal Mail to charge whatever they wished for the first class service whilst tagging the cost of the second class service at between 45 and 55p. The effect of this would, of course be that the only universal service would be the second class service and anyone who wished to use a first class service would have to pay whatever Royal Mail decided was the appropriate rate for such a service.

Large businesses who send a lot of mail will never pay the full first class price but will always be able to get a better deal or bulk discount from Royal Mail. They would also have the option of doing a deal with one of the alternative providers.

These options are not available to our small businesses. They rely on Royal Mail's service to be able to deliver letters and small packages around the country. In order to provide a service to their customers they have to be able to deliver within a reasonable timescale, and in many cases rely on very speedy delivery of goods. If Royal Mail was to substantially raise the price of a first class service it would seriously impact upon them and they could be priced out of the market risking their very survival.

I would emphasise that it appears to me that the large companies would not be effected but only small and medium sized businesses , particularly those in more rural or remote areas It would appear that Ofcom are prepared to let small businesses pay the price of ensuring that large companies get a better deal.

Such an outcome would be completely perverse and cannot be allowed to stand. If we are to get ourselves out of this current economic mess the driver will be from small business and Ofcom must take this into account in determining the proposals.

The other point that arises from this is that there is nothing in the Ofcom proposal that guarantees that the same price would be charged for the first class service throughout the United Kingdom. I put this point to Ed Richards when he spoke to MPs at the House of Commons recently and he did not demur from this interpretation.

The result of this, obviously, is that it is entirely possible that we could end up in the position where letters and small packages are sent at a different first class rate depending on their destination, or indeed point of origin. This has severe implications for both consumers and small businesses in more rural and remote areas who, as mentioned above, do not have access to the special deals, bulk deliveries from Royal Mail, or from alternative providers. It is worth noting that the situation already exists in the Highlands and Islands in the parcels market where alternative providers will only deliver, if at all, at very much higher rates. Indeed I recently saw, on the internet, delivery charges from one company that were higher, from England, to the Highlands and Islands than to Denmark and other parts of the European Union. To allow such a situation to develop in the letters and small packages market would be an utter disgrace.

A related point on full commercial freedom concerns the freedom to determine contracts with large companies and other postal providers as to what they will charge for the final delivery of items.

It seems to me that this proposal could lead to higher prices in rural and more remote areas, again a point not denied by Ed Richards.

Under the proposals Royal Mail will be able to negotiate a contract directly with other companies but it does appear that it is the intention of Ofcom that such contracts should be cost reflective, which means that we could reach a situation where different prices were being quoted for different areas.

Ofcom's attitude appears to be that Royal Mail could not raise the costs too high or large companies may simply go fully electronic and use email and the internet. That does not take account of the fact that the postal service serves both senders and recipients and many recipients, especially in more remote areas, do not have access to fast broadband, or indeed broadband at all.

It also does not take into account the fact that not everything can be transmitted electronically. Those who wish to post or receive goods need to have access to a service that speedily and effectively transmits physical objects, ie a postal service.

Whilst the proposal could have the effect of reducing costs for some it also has the potential effect of substantially increasing costs for others, especially those who are in rural or more remote areas. It is quite conceivable and, indeed, I would suggest quite likely that we would have the situation where Royal Mail would agree contracts for more urban areas, where competition is clearly at its greatest, than in rural areas where there is little or no competition. Whilst this might be acceptable to Ofcom's inclination to promote greater competition it could again have a very bad effect on consumers within these areas who would face the situation that they are unable to receive mailings or face higher charges from companies who are sending such mail.

It is probably the case that some of the greatest users of direct letter mail are financial services and utility companies. Much of that could go electronically but the very areas who are likely to suffer from higher charges are the very areas who are least likely to have ready access to fast broadband services due to their geographical situation. The statistics for the percentage of those with access to broadband are meaningless without taking into account the density of population in different areas ie those without access are largely in large but sparsely populated rural areas - the same areas that will be most affected by these proposed postal changes.

The changes proposed will not only impact on the companies involved but also very many consumers and small businesses. Ofcom must look at the interests of all consumers and not only at the interests of those in major urban areas.

These are very serious issues which Ofcom do not appear to have taken on board with their proposals. The Postal service remains vital to all areas of Scotland and you must look at them again before it is far too late.

Ends

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

see answer to 6.2

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

see answer to 6.2

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.:

see answer to 6.2

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.:

see answer to 6.2