

Securing the Universal Postal Service

Response from Royal National Institute of Blind People (RNIB)

1. About us

As the largest organisation of blind and partially sighted people in the UK, RNIB is pleased to have the opportunity to respond to this consultation.

We are a membership organisation with over 10,000 members who are blind, partially sighted or the friends and family of people with sight loss. 80 per cent of our Trustees and Assembly Members are blind or partially sighted. We encourage members to be involved in our work and regularly consult with them on government policy and their ideas for change.

As a campaigning organisation of blind and partially sighted people, we fight for the rights of people with sight loss in each of the UK's countries. Our priorities are to:

- Stop people losing their sight unnecessarily
- Support independent living for blind and partially sighted people
- Create a society that is inclusive of blind and partially sighted people's interests and needs.

We also provide expert knowledge to business and the public sector through consultancy on improving the accessibility of the built environment, technology, products and services.

2. The importance of the Universal Postal Service for blind and partially sighted people

Blind and partially sighted people face many barriers to accessing information and to inclusion in society. To overcome these in the field of reading, they need information in “accessible formats” such as Braille.

Braille is bulky. A short novel, such as *Oliver Twist* by Charles Dickens, takes up four Braille volumes, each A4 size, and about 2cms thick.

Producing Braille is expensive and the quantity produced is limited. The provision of free reading material for blind students, professionals or ordinary individuals wanting access to information or leisure reading became and has continued to be largely the responsibility of non-profit organisations. The dispersal of blind people over wide geographic areas meant that standards of access to information and library services set for the general population could not be easily and cheaply extended to blind people.

Recognising these inherent inequities, Royal Mail has long provided an exemption from postal charges for "Articles for the Blind" to permit access to literacy and learning which would otherwise be too expensive.

These days, articles for the blind include newer formats such as sound recordings and CDs, since the same problems relating to distribution and access continue to apply regardless of format. Royal Mail's modern “Articles for the Blind” service therefore now applies to a wide variety of items which are specifically designed to ensure that blind and partially sighted people can access information and overcome other barriers in society.

Blind and partially sighted people continue to value highly the “Articles for the blind” service. RNIB is therefore concerned to ensure that it continues to be provided to its current high standards in any future regulatory regime.

Moreover, in recent years we have witnessed attempts in various countries to remove or scale down such services, often in the face of cost concerns in the light of plans for privatisation or market opening. Indeed, at the start of this century, at the Universal Postal Union, it was proposed that the exemption from charges should be removed from the UPU Convention. Though this proposal was defeated, this reflects the need to

actively provide regulatory protection to the service in order for it to survive.

Given these factors, RNIB believes that it is very helpful that the Postal Services Act 2011 protects the provision of “*services to blind or partially sighted*” as part of the universal service obligation in section 31, minimum requirements, of the act.¹

We respond below to most though not all of the specific questions in the consultation, focusing on the likely effect of Ofcom’s proposals on the provision of the universal service in general and the “Articles for the Blind” service in particular.

3. RNIB’s responses to the consultation questions

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?”

“6.14 On balance, given our primary duty to secure the provision of the universal service, we consider that a regulatory condition should be imposed on Royal Mail to provide the universal service as set out in the order. We will consult on the proposed text of both the order and the DUSP condition in the regulatory conditions consultation later in the year.”

RNIB understands that Royal Mail has lost hundreds of millions of pounds in the last few years due to market liberalization, substitution and the requirement upon it to continue to provide the universal service. As paragraph 5.8 acknowledges, Royal Mail is only postal operator currently capable of providing the universal service.

1 “ Section 31 – Minimum Requirements:

- Requirement 6: services to blind or partially sighted

The provision free of charge of such postal services as are specified in the universal postal service order to such descriptions of blind or partially sighted persons as are so specified.”

In addition, we note the plans to privatize Royal Mail, mentioned for instance in 4.33 and 5.78 of this document. Privatization might in itself create further pressure on the provision of the universal service as private shareholders look to maximize profit through cost reduction. In turn, that might put pressure on the continued provision of the “Articles for the Blind” service. It might also bring into question the continuation of the 6 day a week delivery of mail. Any reduction in frequency would disproportionately affect blind and partially sighted people, who rely more than most on the postal service due to the greater costs they incur in getting around.

Given these concerns, RNIB agrees that a regulatory condition should be imposed on Royal Mail to deliver the universal service.

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

RNIB understands the question to refer in essence to the proposal in paragraph 6.77, which states:

“We therefore propose to grant Royal Mail commercial freedom for a period sufficiently long to provide regulatory certainty and incentives for efficiency improvements, subject to major regulatory safeguards in the following areas:

- Monitoring and potential for re-regulation;*
- Ensuring that a basic universal service is available to all; and*
- Competition and innovation.”*

RNIB is not in a position to provide expert and detailed analysis on the benefits and drawbacks of granting Royal Mail “commercial freedom”. We have outlined above our concerns about some of the pressures this freedom can create, but we acknowledge that there are risks also in **not** granting such freedom, such as the possible erosion of Royal Mail’s capacity to cover the costs of the universal service through price rises.

RNIB agrees that it is necessary to provide safeguards for the universal service mentioned in 6.77. Further, we urge Ofcom to ensure these are comprehensive and cover the Articles for the Blind service, in line with section 31 of the Postal Services Act 2011.

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

Yes. RNIB believes that Ofcom will need to very carefully monitor the effectiveness of these measures (as referred to in paragraph 6.91) in delivering the universal service, so as to ensure that they work in practice and do not cause unintended harm.

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.

The seven year term for the Ofcom proposal seems a reasonable compromise between an indefinite duration and too short a period.

Question 7.1: Do you agree with our approach to assessing end-to-end competition? If not, please give your reasons.

End to end competition could jeopardize the provision of the universal service. If Royal Mail is left to bear the burdens of unprofitable parts of the universal service, and competition is allowed to cherry pick the profitable parts, without bearing the burden of the universal service, this will further undermine Royal Mail's ability to provide the universal service. We recognise the dangers therefore outlined in paragraph 7.25. We agree that any new entry to the market needs to be assessed carefully and on a case-by-case basis (as described in paragraph 7.26)

Question 7.2: Do you agree with Ofcom's proposals to impose an obligation on Royal Mail to provide access at the Inward Mail Centre? If not, please give reasons.

This matter is largely beyond RNIB's expertise to judge, but we would say that Royal Mail should be allowed to cover its costs when it offers access to competitors so as not to undermine the universal service. Ofcom's proposals must rigorously ensure such cost-coverage is provided for.

Question 7.3 Do you agree with Ofcom's proposals in respect of regulating margin squeeze? If not, please give reasons.

Again, this matter is beyond our technical knowledge. However, we agree with paragraph 7.79 – which states that Ofcom's primary duty is to secure the provision of a universal postal service, and that Ofcom

therefore needs to consider whether this proposal is consistent with continuing provision of the universal service.

Question 8.1 Do you agree with the objectives for regulatory financial reporting that we have set out above? Please provide details to support your response

RNIB strongly agrees that Ofcom needs to be able to monitor the financial sustainability of the universal service provision, and its efficiency, as mentioned in paragraph 8.10. This is especially important in view of Ofcom's intention to give greater commercial freedom to Royal Mail.

Questions 8.2 Do you agree that our regulatory financial reporting proposals, set out in this section and the supporting Annex, are appropriate and proportionate? Please provide reasons and evidence to support your views.

Question 8.3: Do you agree with our proposals on the rules and requirements contained in the draft Regulatory Accounting Guidelines and do you consider that they are likely to provide an appropriate and proportionate level of cost transparency and accounting separation?

In response to 8.2 and 8.3, RNIB does not have the expertise to assess the technical merits of these proposals but agrees that if these proposals are implemented this should be done with the protection of the universal service as a primary consideration.

Question 8.4: Do you agree with our proposals set out above in relation to accounting separation? Are there any further risks that you think Ofcom needs also to consider in making decisions in this area? To the extent that you consider there to be risks associated with our proposals, how do you consider they might best be addressed?

Account separation between universal service and non-universal service-related provision seems to us to make sense, and to be a way of better assessing the cost of provision of the universal service. It is of course necessary to understand this cost so as to be able to ensure regulation which both requires that the incumbent universal service provider meets the universal service requirements, and that its finances are robust enough to do so. We have some sympathy with Royal Mail's concerns

about “perverse incentives”, and also fear it will be difficult to correctly disentangle universal service –related from non universal service -related costs. However, we are encouraged by Ofcom’s intention to work with Royal Mail on these issues whilst pushing ahead with plans to install a system of account separation which will allow a clearer understanding of Royal Mail’s universal service costs.