

3 August 2016

Richard Orpin  
Floor 4  
Competition Group  
Ofcom  
Riverside House  
2A Southwark Bridge Road  
London  
SE1 9HA

Dear Mr Orpin

### **Review of the Regulation of Royal Mail**

The Scottish Council for Development and Industry (SCDI) is an independent membership network representing a cross-section of the private, public and social sectors across Scotland. Our purpose is to influence the agenda for Scotland's economic and social prosperity.

SCDI broadly welcomes Ofcom's key proposals in the findings of its fundamental review of the regulation of Royal Mail and this response makes brief comments in support of them.

The six-day-a-week, affordable postal service delivered through the Universal Service Obligation (USO) is of significant importance to rural communities and rural businesses in Scotland. Reports have found evidence that without the USO consumers in these areas would face higher costs and businesses would face more instances of refused delivery, extra charges or significant delays<sup>1</sup>. For instance, the USO is supporting the e-fulfillment market both to and from more remote areas of Scotland because many smaller and microbusiness do not have the volume to strike deals with major carriers/ couriers and are reliant on Royal Mail products to run their operations.

Competition in postal services has generated substantial benefits for many SCDI members, however it is a continuing concern that cherry-picking by other operators of the most profitable deliveries, particularly those in urban areas, will compromise the viability of the Royal Mail cross-subsiding marginal or unprofitable deliveries. With other parcel operators not - at present - subject to the same Consumer Protection Standards as Royal Mail, maintenance of the USO is even more important for consumers across the country. The ongoing protection of the USO through legislation and regulation is, therefore, a priority for an inclusive, resilient Scottish economy.

SCDI was concerned that Ofcom's initial thinking, such as the potential introduction of additional pricing constraints on Royal Mail, would threaten its ability to earn the revenues which fund the USO. We, therefore, welcome and endorse key changes to the proposals in this consultation.

---

<sup>1</sup> <http://www.cas.org.uk/publications/postcode-penalty>

In particular, SCDI supports maintaining the current regulatory approach – therefore ruling out the re-introduction of price controls on Royal Mail - for a further five years. Ofcom has identified that Royal Mail has made significant progress with productivity improvements and maintains moderate profitability, and that there is high and growing parcel competition and high and improving levels of customer satisfaction among consumers and SMEs with the postal market (with eight out of ten businesses satisfied or very satisfied with Royal Mail's services.) SCDI agrees that this indicates that the current regulatory approach to the postal market is broadly fit-for-purpose.

The USO is of enduring socio-economic importance, but it remains fragile. SCDI believes that key proposals from Ofcom will maintain the six-day-a-week specification and the commercial flexibility for Royal Mail which are critical to sustaining a high-quality service which will be an enabler for communities and businesses in all geographies of the UK to increase and share in prosperity. SCDI supports implementation of the proposals as highlighted in this letter by Ofcom.

Yours sincerely

Gareth Williams  
Head of Policy  
[Gareth.williams@scdi.org.uk](mailto:Gareth.williams@scdi.org.uk)