



**Consumer
Focus**
Campaigning for a fair deal

Consumer Focus response to Ofcom's consultation on regulation of the provision of post boxes

May 2013

About Consumer Focus

Consumer Focus is the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland.

We operate across the whole of the economy, persuading businesses, public services and policy-makers to put consumers at the heart of what they do. We tackle the issues that matter to consumers, and give people a stronger voice. We don't just draw attention to problems – we work with consumers and with a range of organisations to champion creative solutions that make a difference to consumers' lives.

Following the recent consumer and competition reforms, the Government has asked Consumer Focus to establish a new Regulated Industries Unit by April 2013 to represent consumers' interests in complex, regulated markets sectors. The Citizens Advice service will take on our role in other markets from April 2013.

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Response to Ofcom's consultation questions

Consumer Focus is pleased to respond to the Ofcom consultation on regulation of the provision of post boxes. Ofcom has proposed a modification to the access points criteria to extend regulatory protection to all UK delivery points. The proposed modified criteria is:

- there should be a post box within 0.5 miles by a straight line distance of at least 98 per cent of delivery points nationally
- for the remaining 2 per cent of delivery points, Royal Mail must provide sufficient access points or other means of access to the universal service to meet the reasonable needs of users

We agree that this modification of the access point criteria will improve the current level of regulatory protection afforded to some rural consumers who are excluded from coverage under the current criteria. However, Consumer Focus is also of the view that Ofcom needs to go further in modifying the current access points criteria in order to ensure that there is:

- continued sufficiency of post box coverage in urban areas
- adequate and uniform coverage across the UK ensuring in particular that consumers in Northern Ireland and other areas of the UK are not unduly disadvantaged by the proposed criteria
- greater clarity on acceptable mechanisms likely to meet the reasonable needs of users in excluded areas (ie the 2 per cent of delivery points not within 0.5 miles of access point)
- clear and transparent regulatory reporting requirements and notification and consultation procedures for removal and relocation of post boxes

We suggest that these objectives can best be achieved by separate rural and urban access points criteria together with a post box removal and/or relocation safeguard process that provides objective and clear criteria for Royal Mail to follow should it decide to reduce the post box network.

Question 4.1 Do you agree with Ofcom's analysis that the current regulatory requirements for the provision of post boxes should be modified?

Consumer Focus agrees that the current regulatory requirements for the provision of post boxes should be modified in order to provide criteria that applies to both urban and rural consumers.

Post boxes provide essential access to the universal postal service for both residential consumers and small and medium sized enterprises (SMEs). Extending the criteria to cover rural consumers is critical as access to postal services is especially important for consumers in rural and remote areas across the UK. Additional obstacles faced by consumers in these areas include being required to travel longer distances to access services (with higher fuel prices) and often having less developed broadband penetration, all of which makes access to convenient postal services even more important. Rurality and remoteness affects consumers across all nations especially in the majority of

Northern Ireland and in remote areas such as the Highlands and Islands of Scotland, coastal and mountainous areas of Wales including the valleys of South Wales and remote upland and coastal regions in England.¹

Recent survey evidence from Wales and Northern Ireland further underlines the importance of post boxes to small and micro businesses and adds weight to the importance of safeguarding universal access to post boxes through modified criteria

- Easy access to a post box for sending mail was viewed as important by nine in ten businesses in Northern Ireland (with over six in ten regarding it as very important²)
- Post box access points and post office branches (rather than business collection) were used to send mail by the majority of small and micro businesses in Northern Ireland. When asked how they post mail, including letters and parcels, only 8 per cent stated that they use a Royal Mail business collection whereas the majority used a combination of post box access points (60 per cent) and post office branches (64 per cent), depending on the item they needed to send
- Easy access to post boxes for sending mail was similarly viewed as important by 58 per cent of small businesses in Wales who said it was very important with a further 28 per cent saying that it was fairly important³

Consumer Focus believes that removal of post boxes from the network is more likely to accelerate if the current density requirement is removed and not replaced with an appropriate alternative. We therefore agree with Ofcom that it is not appropriate, at present, to remove access point density criteria from the designated universal service provider condition and that modified criteria should cover both urban and rural consumers.

Question 5.1 Do you agree with Ofcom's proposed new criteria? Please provide evidence to support your view.

Question 5.2 Do you think other criteria than those discussed in our consultation should be adopted? If so, please give your reasons and evidence.

Consumer Focus appreciates that any new criteria have to be set within the wider context of the changing mix in mail volumes and the decline of letter mail that can be posted through post boxes. Ideally new criteria would be based on a future proofing approach to falling mail volumes and universal access to post boxes regardless of location. However, we support the underlying intention to (at a minimum) maintain the existing configuration of the network particularly as the current number and location appears to be largely acceptable to the public and businesses and a large scale removal or relocation programme would be likely to generate large number of complaints by consumers and businesses. We also note that reconfiguration of the network could lead to a greater reduction of post boxes in rural areas as these boxes are not used as often as those in urban areas but in many ways are more important in light of the lack of viable alternatives for users.

¹ <http://bit.ly/LzMlq4>

² Consumer Focus Post's Annual postal survey for Northern Ireland consumers and small businesses (March 2013) undertaken by Ipsos MORI – Unpublished.

³ Consumer Focus Wales/Federation of Small Businesses postal services survey (March 2013) Unpublished.

Separate urban and rural access criteria

Consumer Focus is of the view that the introduction of a single criteria for both rural and urban areas does not meet the reasonable needs of users. Implementation of a single criteria that is acceptable and provides a sufficient level of coverage for post boxes in both rural and urban areas is difficult in light of the demonstrated difference in needs and usage between consumers in these areas. It is useful to note that this distinction is reflected in the current Government imposed minimum post office access criteria which clearly distinguish between urban and rural post offices.⁴

The Department Business Innovation and Skills believes this criteria ensures a 'fair access' for all post office consumers.⁵

The post office criteria sets out an overall national access criteria together with separate distance criteria for the urban and rural population. It provides that nationally:

- 99 per cent of the UK population are to be within three miles and 90 per cent of the population are to be within one mile of their nearest Post Office® branch
- 99 per cent of the total population in deprived urban areas across the UK to be within one mile of their nearest Post Office® branch
- 95 per cent of the total urban population across the UK to be within one mile of their nearest Post Office® branch
- 95 per cent of the total rural population across the UK to be within three miles of their nearest Post Office® branch

In addition, for each individual postcode district:

- 95 per cent of the population of the postcode district to be within six miles of their nearest Post Office® branch

The criteria developed for post boxes should reflect the rural/urban distinction but the detailed criteria will need to be carefully considered as there are many more post boxes than post offices. This will result in the percentage of the population to the distance of a post box being less and the distance for the consumers to travel will also be considerably less than for post offices. We suggest that Ofcom ascertains the actual road distance that people travel currently to their nearest post box. Then once ascertained this could form the criteria to be used as it would be a realistic distance. Consumer Focus is concerned that using straight line distance does not take account of topographical factors such as mountains, valleys or motorways, and could therefore result in a customer travelling considerably further than the intended 0.5 miles.

Ofcom's research found that rural consumers and businesses would be willing to travel more, than urban users. Ofcom should reconsider their consumer research and the points raised in this response before reaching a final decision on the most appropriate criteria. In many instances the actual distance required to travel under the proposal will be further than this. Ofcom's research on the distance that consumers are prepared to travel found clear differences among rural and urban users

- Rural residential – up to 0.5 miles (52 per cent), over 0.5 miles (38 per cent)
- Rural business – up to 0.5 miles (70 per cent), over 0.5 miles (60 per cent)
- Urban residential – up to 0.5 miles (39 per cent), over 0.5 miles (24 per cent)
- Urban business – up to 0.5 miles (49 per cent), over 0.5 miles (30 per cent)

⁴ <http://bit.ly/17uQAPU> (appendix 2)

⁵ <http://bit.ly/11yz9Ki>

This research indicates that there is a significant tipping point for urban businesses that would be prepared to travel over 0.5 miles. Additionally significantly more rural consumers are prepared to travel further to a post box than urban consumers (38 per cent versus 24 per cent). We believe that this research shows a justification for separate urban and rural criteria and in light of this we consider that it may be appropriate to consider a minimum access criteria for rural versus urban. This may ensure a more universal safeguard for all postal consumers. It would also allow Royal Mail the freedom to explore underused post boxes once the criteria is underpinned by a post box removal safeguard.

Consumer Focus would welcome further analysis and development and consideration of the impact of using alternative separate urban and rural criteria for safeguarding post boxes as we consider this would be more appropriate than Ofcom's current proposals. Ofcom should also provide clarity on whether post boxes located outside of post offices are included in the definition of access points covered for the purposes of the access points criteria.

Consumers in Northern Ireland

The consultation document clearly illustrates (see figure 1 at page 17) that the proposed new criteria could potentially leave large areas of the UK, both urban and rural, without access to a post box within half a mile. In particular, the proposed criteria seems to disproportionately disadvantage postal consumers in Northern Ireland compared to other areas of the United Kingdom. Almost all areas (except Belfast, Londonderry/Derry and Portstewart) are outside the half mile criteria, and at the discretion of what Royal Mail rather than the consumer deems as 'reasonable needs'. This leaves consumers in the majority of areas in Northern Ireland in a vulnerable position with no adequate safeguard to ensure convenient access to the universal postal service. This can cause significant detriment for consumers as they may be forced to travel unreasonable distances, thereby incurring significant cost to post their mail. Or consumers may seek to use a more convenient digital alternative, which can reduce mail volumes further causing a damaging impact on the sustainability of the universal postal service.

The unique geographic location of Northern Ireland within the United Kingdom, has meant consumers in this nation experience lower level of choice in postal competition and higher delivery costs for many online orders. This is also true for many areas in Scotland, Wales and England. The low levels of postal competition and high delivery costs charged by alternative operators reinforce the importance and value of all features of the universal service to businesses and consumers. A fair and uniform UK wide criteria of access points will help to ensure that consumers in Northern Ireland will continue to have reasonable access to an affordable postal service.

With 93 per cent of delivery points within half a mile of a post box, Northern Ireland currently has the lowest level of post box coverage of all the UK nations. While we accept that no consumer detriment has been reported, we would argue that any new criteria should seek to maintain and protect the current provision of post boxes at a similar level to other United Kingdom nations, rather than permit a significant reduction if a commercially driven Royal Mail considers that this could provide considerable cost savings.

Question 5.3 Do you have any other comments on the issues raised by this consultation?

The proposed modification to the current regulatory obligations on access to post boxes raises significant additional issues around the need to:

- develop a 'post box safeguard' provision to ensure that any changes made to the post box network are monitored by Ofcom and that there is both a regulatory reporting and a consultative consumer-driven process
- provide greater clarity on acceptable mechanisms to meet the reasonable needs of consumers not falling within the access criteria of a post box within 0.5 miles by straight line distance of the delivery point

Post Box Safeguard – Need for clear regulatory reporting requirements and consultative consumer-driven process

Royal Mail currently has an extensive network of 115,500 post boxes and removes and relocates post boxes according to commercial and operational needs. We recognise that Royal Mail has provided assurances to the regulator that it has no intention of making significant changes to the existing network. However, we do not consider this stated intent to be a sufficiently strong and robust safeguard to protect against adverse changes.

It is interesting to note that there has been a net decrease in the number of post boxes over the past 11 years from 116,000 in 2002 to the current figure of 115,550.⁶ We accept that the number of post boxes removed over this period is small, but we believe that the net loss highlights the importance of a monitoring process for post box removals.

This is particularly important as the changing shape of the postal industry and a commercially driven Royal Mail could ultimately lead to the loss of some under-used or uneconomical post boxes.

Prescribed regulatory reporting and notification requirements

Consumer Focus is of the view that Royal Mail should be required, under the designated universal service provider condition, to notify Ofcom and Consumer Focus and publish an annual access points report detailing compliance with access points criteria, reasonable needs mechanisms and consultation criteria. It would also include access points data on:

- number of post box removals and relocations
- location of affected post boxes
- decisions with reasons for the individual post box changes eg low volumes, health and safety, difficulty of access

Additionally, Royal Mail should also be required to provide advance notice to Ofcom, Consumer Focus and affected stakeholders of any large scale access points change programme of post box removals/relocations. This is important as currently the location of the post boxes is primarily an operational decision for Royal Mail that is not subject to detailed regulatory oversight.

These recommended reporting requirements are similar to that required for collection exceptions, which obliges Royal Mail to report on long term and short term exceptions due to difficulty of access and health and safety reasons such as vandalism, dangerous environment and road works. In light of this it is unlikely to be a burdensome reporting requirement.

⁶ Ofcom consultation on the Regulation of the provision of post boxes (March 2013)

Transparent user and stakeholder consultation process

A transparent consultative process should be developed for post box changes to ensure that these decisions take into account the expressed views and needs of users particularly residential consumers and SMEs.

We have been advised by Royal Mail that there is currently a consultative process for post office branch relocations with post boxes. This involves both Post Office Limited (POL) and Royal Mail. The overriding aim is generally to keep the post box wherever possible in light of its importance for consumers. This process, which provides a useful template for consideration, is as follows:

- Network Transformation team in POL notifies Royal Mail of the location of the existing post box outside the post office and where it is expected that a new post office branch is likely to be relocated, as a result of local consultation. Once the decision is made about the branch, the Network Transformation team will notify Royal Mail again to let them know the outcome of that decision. It is then Royal Mail's decision as to the final location of the post box
- If the post box outside a branch is being removed a *notification process* is followed with a notice being placed on the post box, in advance of any removal, to notify users. If the post box is on private land and the landowner wants it removed it will be removed as Royal Mail must comply with this request. Royal Mail will then look at existing post boxes in the area and if there are deemed to be sufficient already available then no new or relocated installation will be made
- If there are no post boxes nearby that meet 'reasonable needs of users' and a decision is made for installation or relocation of the post box then a *consultative process* is followed:
 - Notice is displayed to inform customers why the box is out of service and that Royal Mail is seeking to relocate it. These boxes are listed on the temporary exceptions report while the investigation into an alternative takes place
 - In looking for alternative sites Royal Mail takes input from local residents, local authorities, chamber of commerce, utility companies and the Highways Agency depending on location. Occasionally, at their discretion, they will meet with local and parish councillors on site. This takes place where customers have made some representation and they have been unable to find a site

We consider that the advantage of this consultative process is the inbuilt flexibility that can be targeted to specific local circumstances. As consumer detriment is likely to be greater for post box removals than post box relocations we suggest that a strengthened mandatory consultative process should be the default process for both relocations and removals of post boxes.

Royal Mail should be required to consult for a reasonable period with those users likely to be affected by the change and any relevant groups representing such users as well as with other interested persons such as local authorities and politicians, chambers of commerce, utility companies and the highways agency as necessary.

Notice period given to consumers should be 'fair and reasonable'. Notices placed on post boxes must ensure that consumers are provided with sufficient information to enable them to get full details on the removal/relocation of the box and the reasons behind it, eg insufficient volumes, health and safety. This notice should detail the proposed date of removal, contact phone number and website address for additional information, nearest alternative post box and should take into account Welsh language provision for post boxes in Wales. As vandalism may lead to the removal of notices on post boxes

additional notices should also be provided in local newspapers and other media as well as in the Delivery Office and any post offices covering the location.

Decisions by Royal Mail on changes to the post box network should take account of the existing post box network, topography of the area, definition as urban or rural area, the location of the nearest post office and alternative access points. It is important that decisions are transparent and that there is either access to appeal to the regulator, an independent body or a local veto.

Ofcom must ensure that the 'post box safeguard' process is developed in a fully consultative manner and properly communicated to users.

Although Ofcom has expressed concerns in the consultation document that inclusion of a safeguard process would significantly increase the burden and complexity of regulation, in light of our recommended approach and clear expectations that there will be minimal removals of post boxes we do not consider that the burden of administering the process to be high. Further, if this type of process can be used for post office post box relocations we suggest that it can easily be rolled out more widely to ensure greater public input on post box network changes. In any event as post office post box relocations are likely to form the bulk of any changes to the post box network inclusion of similar provisions for other changes should only place minimal additional regulatory burden on the universal service provider.

Meeting the reasonable needs of consumers outside the criteria (2 per cent)

Consumer Focus considers that the most appropriate means of meeting the reasonable needs of consumers is by the introduction of separate rural and urban criteria for post boxes. However if the proposed modified criteria is implemented, additional guidance needs to be provided on the mechanisms that are likely to meet the 'reasonable needs' of consumers for 'access points' in the 2 per cent of delivery points where there is not a post box within half a mile (by straight line distance). The workable solutions adopted to meet the reasonable needs of consumers should be driven by the needs of consumers as well as the commercial needs of Royal Mail. However, it is of vital importance that local discretion and flexibility for design and delivery of workable collection and access points solutions is balanced against the need for general oversight on the adequacy of the process and ensuring that mail integrity is not compromised.

Ofcom referenced examples of collection on delivery from remote locations as an appropriate mechanism. While this may be acceptable for some remote or isolated locations, many customers are simply not available when their mail is delivered and might therefore be expected to travel unreasonable distances to post their letters. We would also stress that this solution would not meet the reasonable needs of users in a significant proportion of the 2 per cent of areas that fall outside the criteria. Collection on delivery may also pose additional issues for consumers who only receive few mail deliveries. A range of mechanisms will need to be put in place at relevant local delivery offices to ensure that Royal Mail reacts promptly to collection requests and to provide greater discretion to postmen and postwomen on these rounds so that tailored local solutions can be developed and implemented at the local level.

Consideration should also be given by Royal Mail to extending the collection service to cover collection of larger and premium items such as Special Delivery and Recorded Signed For letters, large letters and parcels. The use of available technology including prepayment by online postage or electronic payments and PDAs would facilitate this approach and move closer to meeting the reasonable needs of consumers in these areas.



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For more information contact Michelle Goddard on 020 7799 8021 or michelle.goddard@consumerfocus.org.uk

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Published: May 2013

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Consumer Focus

Victoria House
Southampton Row
London

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