



Ofcom consultation on end to end competition in the postal sector

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About Citizens Advice

The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity, promotes equality and challenges discrimination.

The service aims:

- to provide the advice people need for the problems they face
- to improve the policies and practices that affect people's lives.

The Citizens Advice service is a network of nearly 400 independent advice centres that provide free, impartial advice from more than 3,500 locations in England and Wales, including GPs' surgeries, hospitals, community centres, county courts and magistrates courts, and mobile services both in rural areas and to serve particular dispersed groups. In 2011/12 the Citizens Advice service in England and Wales advised 2.03 million people on 6.9 million problems.

End to end competition in the postal sector

We welcome the opportunity to respond to Ofcom's consultation on the regulatory approach to end to end competition in the postal sector and the options for ensuring that competition does not harm Royal Mail's ability to meet the universal service obligation.

Below we have answered the questions we have a particular view on.

6.1 Do you agree with our approach to assessing the need for intervention in relation to end-to-end competition? Do you consider that any other approach would be appropriate?

We believe the approach should give consideration to the potential effects of end-to-end competition on users of postal services as well as to the financial impact on Royal Mail. While the financial impact will affect Royal Mail's ability to operate the universal service, different market competition developments will affect consumers differently and different regulatory interventions will also potentially lead to very different consumer outcomes. These should be considered both in considering the case for intervention and the shape of any intervention.

An illustration of the potential impact on customers can be seen currently in the parcel and packets market where there is already effectively end-to-end competition to Royal Mail, and where its competitors are subject neither to general access conditions nor any compensation fund.

The effect that this has on consumers varies according to their location, with recipients in cities and large conurbations able to take advantage of relatively low postage costs for parcels and packets. This is seen quite clearly in the delivery of online purchases.

However, recipients living in rural areas face particular challenges and may have to pay higher postage costs or even be unable to send or receive parcels and packets.

Arguably as a result of having to meet the universal service obligation for standard packets weighing 20kg or less, Royal Mail's packet and parcel prices are often higher than the price which their competitors will offer retailers, as a result of which some retailers will exclusively use a competitor.

However, the price charged to send a package or parcel to a remote destination may be significantly higher than the price charged by Royal Mail. Residents in these areas can find themselves unable to convince retailers to have items delivered by Royal Mail and instead have to pay a significant premium to have it delivered.

Where a retailer will send an item to a remote area via Royal Mail, the customer benefits but it is a case of Royal Mail picking up 'undesirable' business which its competitors have priced in such a way to deter.

In effect, Royal Mail's parcel and packet competitors are able to compete for the most profitable business without worrying unduly about deliveries to remote and rural areas. That it has led to consumer detriment can be seen in the recent work by Citizens Advice Scotland (CAS) with the Office of Fair Trading and Trading Standards on this issue. CAS recently published a report detailing the experience of consumers and small businesses north of the border in the parcel and package market¹ which details the scale and breadth of the problem in Scotland. The experience of consumers illustrated in the report provide a demonstration of some of the potential problems end-to-end competition may bring to the wider postal market.

6.2 Do you have any comments on the factors that we would need to take into account when considering the types of intervention that may be suitable?

We would argue that the effect on consumers is of the utmost importance in considering the impact of end-to-end competition in the postal market and does not currently appear to be taken into consideration. Different interventions will lead to different outcomes for consumers and this should be a key consideration. For example, a requirement that Royal Mail's end-to-end competitors deliver to specific geographic areas will obviously affect consumers within those areas differently than if competitors have free reign to deliver where they wish but have to pay into a compensation fund instead.

¹ <http://www.cas.org.uk/news/%E2%80%98postcode-penalty%E2%80%99-1-million-scots-hit-unfair-delivery-charges>

