27 March 21013

Adrian Bailey MP
Chair
Business, Innovation and Skills Select Committee
House of Commons
London SW1A 0AA

Dear Adrian

As you will know, Ofcom has been regulating postal services since October 2011. Given your role as Chair of the Business, Innovation and Skills Select Committee, I wanted to draw your attention to three publications we have issued today on postal services.

In accordance with duties placed on us under the Postal Services Act 2011, we have completed the most comprehensive study ever undertaken by the regulator into the needs of UK postal users. We have concluded that the postal market is currently meeting the reasonable needs of users and we are therefore not proposing any changes to the scope of the universal service. This means that Royal Mail will continue to deliver to every address in the UK, six days a week and consumers will continue to have the choice between a next-day, ‘First Class’ service and a three-day standard ‘Second Class’ service.

Secondly, Ofcom is proposing new protection against the removal of post boxes in rural areas. This would mean that there would be a post box within half a mile of at least 98% of ‘delivery points’ (usually the letter box of an address) nationally. For the remaining 2% of delivery points, Royal Mail must provide sufficient post boxes or other means of access to the universal service, such as collection upon delivery, in order to meet the reasonable needs of those users.

Thirdly, we are providing guidance on the circumstances under which we would undertake a review of the need to intervene in relation to end-to-end competition, the process such a review would follow and the range of factors that would taken into account. These include a scenario where our active monitoring of the postal sector identifies a potential material threat to the universal service, such as a new party entering or growing in the market or a change in the expected level of Royal Mail’s future revenues or costs. We have also committed to conducting a review within the next two to three years, regardless of any external factors.

The purpose of each of these proposals separately and together is to protect the universal service for consumers. I wanted to draw your attention, therefore, to a misleading press release issued by the CWU on Wednesday 13 March which carried a quote misrepresenting Ofcom’s Review of Postal Users’ Needs. The CWU stated that:

"the regulator is actively consulting on reducing services from six days a week to five or perhaps even less”.

As I have outlined above, Ofcom has not made proposals to reduce the universal service requirement from six days a week; nor do we have any legal powers to implement such a change. As you will recall, safeguards were put in place during the passage of the Postal Services Bill to ensure that only Parliament can amend this. In addition, the Coalition Government has guaranteed that there will be no reduction in the six day a week service in
the lifetime of this Parliament. We have advised the CWU of this and asked them to correct their quote. They have refused to do so, despite acknowledging that we are not making any such proposals. We have asked that, at the very least, they do not repeat this claim.

I hope this is helpful and I would be happy to discuss any of our proposals, or our wider work in regulating postal services, with you or your Committee.

Yours sincerely

Ed Richards