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Dear Mr Rowsell

Review of the regulation of Royal Mail

The Countryside Alliance works for everyone who loves the countryside and the rural way of life. Our aim is to protect and promote life in the countryside and to help it thrive. With over 100,000 members we are the only rural organisation working across such a broad range of issues.

The Countryside Alliance welcomes this opportunity to respond to the Ofcom 'Review of the regulation of Royal Mail', as it is timely to consider the effectiveness of the existing regulatory structure in light of potential changes to the market regarding end to end delivery, the growth of the internet and the future of the Universal Service Obligation (USO). While the USO is outside the scope of the Ofcom review we feel it is important to ensure any changes to Royal Mail regulation maintains the six-day-a-week, one-price-goes-anywhere service that Royal Mail provides and our members and rural communities value so much.

Postal services and the USO are essential to those living and working in the countryside, particularly for individuals and businesses that rely heavily on the postal service. Digital communications provide alternative ways for people to exchange information, but many still rely on the post, as it is seen as reliable and secure. Which is why the Countryside Alliance has long been concerned about the impact changes and competition in the postal delivery market could have on rural postal services and the knock-on effect for rural communities and businesses.

The postal services market is fundamentally influenced and shaped by the USO. Royal Mail must, by law, fulfil its Universal Service Obligations, which means it must have the capacity to deliver to every UK address, six days a week.

As Royal Mail's submission to Ofcom highlights (submitted June 2014), the UK's challenging geography already makes the Universal Service challenging to sustain. The UK has a high concentration of large dense urban areas that are attractive and would be susceptible to cherry-picking by direct delivery companies, with 15% of the population living in very high density areas comprising just 1% of the landmass. On the other hand, the UK also has large parts of the country that are deeply rural and costly to serve. 15% of the population lives in lower density areas, comprising around 63% of the landmass.

The costs of delivering mail to less densely populated, harder to deliver rural areas are met using revenues generated from more densely populated urban and suburban areas. We are concerned that the current regulatory environment could allow competitors to choose where it delivers, what it delivers and when it delivers. If competitors are able to cherry-pick, then we believe this could pose a serious threat to the financial sustainability of the Royal Mail, which in turn puts the long term future of the USO under threat.

Secondly, we want to see a mail market which can support e-commerce, of which the UK is the world leader, and is delivering benefits to UK businesses and consumers. The roll out of broadband, coupled with a reliable, affordable, and accessible parcels delivery network, has meant that anyone with a laptop can become a marketplace seller and consumers are able to access online shopping quickly and easily, but there is still a need to deliver physical products such as clothes, books and shoes.

For e-commerce to reach its full potential, we need a combination of high-speed and reliable broadband connections for e-retailers and consumers, who are supported by a reliable, affordable and accessible parcel delivery networks.

Without the USO it is likely that the market would not deliver affordable and accessible parcel drop-off and delivery services throughout the whole of the UK. Instead, many parcel operators would focus their energies on the cheaper to serve urban and suburban centres. Rural consumers and businesses would be likely to pay more than urban customers and some retailers and delivery companies may choose not to deliver to certain parts of the country. For example, Amazon Logistics, choose to only operate in urban and suburban areas. The USO has played a vital role in e-commerce to date and it is vital that the USO remains financially sustainable so the full potential of e-commerce growth can be achieved in the UK.

The working of the postal services market and the USO must be addressed to ensure that we have a fair postal market which can respond to the changing market and delivers to all communities.

The Countryside Alliance has only responded in a general capacity to this consultation as we are not experts in mail regulation, so we therefore feel it would be disingenuous for us to comment on those aspects in detail. If the Countryside Alliance can be of further assistance or you require any clarification of the points raised, please do not hesitate in contacting me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'T.P.C.' followed by a stylized flourish.

Tim Bonner
Chief Executive