

Cross Party Group in The Scottish Parliament on Postal Issues

Minutes of the meeting on 9th June 2015

Present:

MSPs

Hugh Henry MSP (Co-convenor and chair), Kenneth Gibson MSP (Co-convenor)

External Organisations

Eilidh MacDonald – Citizens Advice Scotland, Claire Mack – Ofcom, Paul Turner – Yodel, Mairi Macleod – Communications Consumer Panel, Neil Coltart – Trading Standards Scotland, Vicki Nash – Ofcom, David Moyes – Citizens Advice Scotland (minutes), Linda Bonar – Post Office Limited, Julie Pirone – Royal Mail, John Brown – Communications Workers' Union, Sheila Scobie – Competition and Markets Authority, Ian McKay – Ofcom advisory panel, Chris Rowsell – Ofcom.

Apologies

Donald Ramsay – National Federation of Sub Postmasters, Alan Borthwick – Unite, Colin Borland – Federation of Small Businesses.

1. Welcome

Hugh Henry MSP welcomed everyone to the meeting.

2. AGM

The incumbent co-conveners and secretariat were re-elected.

3. Postal Market Regulation: End to End

Chris Rowsell, Competition Policy Director at Ofcom, gave a summary of the role and duties of Ofcom, followed by an account of the recent context around competition in the end to end postal market, highlighting that although the market has been opened to competition, Royal Mail retains almost all of the business and revenue. He outlined the circumstances behind Ofcom's investigation into Royal Mail's access pricing, following changes in January 2014 and a subsequent complaint from Whistl, and explained Ofcom's proposals that while Royal Mail should be able to set differing prices to reflect operating costs in different geographic zones, the margins across these zones should be the same. He explained that while the consultation on these proposals closed in February 2015, the process is on hold

after Whistl suspended their end to end delivery service in May. He then provided an outline of the nature of future work to be carried out by Ofcom.

Hugh Henry MSP questioned whether Whistl's withdrawal from the market indicates that no competitor to Royal Mail could survive. Mr Rowsell clarified that Whistl had not made a final decision and that Ofcom did not expect a major new entrant to the postal market, which is in structural decline, as elsewhere in the world new entrants have achieved no more than a 15% market share. Mr Rowsell also commented that while Whistl had mitigated any disruption for customers, the decision clearly has negative implications for the workforce.

Ian Mackay asked whether, in the absence of any change of significant end to end competition, Ofcom would see a future postal market operating with competition between access providers using a single national network, giving the examples of telecoms market with OpenReach and the rail market with Railtrack. Mr Rowsell commented that until Whistl had made a final decision on its position Ofcom wouldn't comment on the implications of any such decision, but that it was difficult to see where any new entrant would come from in future.

John Brown, from the Communication Workers' Union, asked whether Ofcom will be looking at the implication of the UK Government's sell-off of shares in Royal Mail, commenting that private shareholders would be more concerned with profit rather than quality of service. Mr Rowsell clarified that Ofcom has no role in the sale of shares and had no prior knowledge of it.

Kenneth Gibson MSP asked when the universal service obligation could cease to be a universal service obligation, commenting that it could suffer death by a thousand cuts. Mr Rowsell responded that the nature of the USO is statutory, and that regulation of the USO is set out in detail, with much attention to the quality of the service.

There was a discussion around some of the changes in the service provided by Royal Mail including 'collection on delivery' approach in place at a number of post boxes, and Julie Pirone, Royal Mail's Director of External Relations for Scotland, Northern Ireland, North and East England, commented that the policy applies to 167 post boxes in Scotland, with only 3 being in rural areas.

Hugh Henry noted that collection of items from Royal Mail delivery offices is generally more convenient than collecting from other parcel delivery operators. John Brown commented that the CWU would be keen to see investment in convenience for customers and widening access. Julie Pirone highlighted that Royal Mail are able to redeliver items to customers' home address on request.

Mr Henry asked Mr Rowsell whether dealing with regulation of a private company would be different to dealing with one in part-public ownership. Mr Rowsell responded that the Government as public shareholder is treated as any private

shareholder, and that the Government's route to influence is through legislation, not through the shareholder structure.

4. Update of the Post Office Network Transformation Programme

Eilidh MacDonald, Post Policy Officer from CAS, gave an update on the Post Office Network Transformation programme and the Crown Transformation programme, giving a summary of the progress of the programmes and the issues arising from it. There was a discussion of a case involving ATM facilities at the Fort Augustus branch not being transferred to the new location and that CAS had raised concerns about the detriment to customers. Linda Bonar, Public Affairs Manager at Post Office Limited, responded that all aspects of the Fort Augustus move were examined and it was felt that, although it was not possible to preserve the ATM facility, the benefits outweighed the disadvantages.

Hugh Henry asked whether any work around satisfaction levels is done after the changes are made. Eilidh MacDonald commented that Post Office Limited has its own mystery shopping programme but CAS and Citizens Advice in England and Wales have ongoing research into customer satisfaction. Ms Bonar commented that feedback received is positive and that customer feedback is gathered through various survey methods.

Mr Henry asked whether Post Office Limited looks at whether the changes benefit the businesses concerned. Mr Bonar responded that that work is done, and that they are finding benefits to both Post Office Limited and to the retailers involved.

John Brown commented that the convenors may wish to consider requesting proper qualitative information from Post Office Limited, and that the CWU doesn't believe that the consultation process is good enough.

Eilidh MacDonald advised that upcoming research publications from CAS should provide some of the evidence base in relation to this. Ms MacDonald also updated the group on CAS research into Post Office Card Accounts to be published soon, and service standards research also to be published in the summer.

5. Any Other Business

There was no other business to discuss.

6. Date of Next Meeting and Close

The date of the next meeting is to be confirmed.