



Unite Communication Managers Association Section response to the Postcomm Consultation on Zonal Pricing

1. Introduction

- 1.1. This response is submitted by Unite Communication Managers Association Section. Unite is the UK's largest trade union with 2 million members across the private and public sectors. The union's members work in a range of industries including manufacturing, financial services, print, media, construction, transport, local government, education, the health service and not for profit sectors.**

- 1.2. The Communication Managers Association (CMA) Sector of Unite represents some 12,000 communications professionals of whom the majority are managers in the Royal Mail Group, PO Ltd, Parcelforce, Guernsey Post Limited, Jersey Post and Isle of Man Post Office. Unite CMA is the only union recognised for managers in Royal Mail and represents all grades. A percentage of Unite CMA members work in joint ventures with Royal Mail or outsourced companies such as Romec, Quadrant, Capita, Atos Origin, CSC, Xansa. Unite CMA also has members in other postal operators such as Deutsche Post.

2. Background

- 2.1. The CMA Sector of Unite is broadly in support of the measures needed to create an open and level playing field for competition for all concerned in postal and parcel communication. Postcomm's competition agenda has in the recent past been heavily weighted against the Royal Mails operations, in order to open the market up to competition. As a result the Royal Mail has been placed in a position where it has no option but to move to a position more in line with market forces, on bulk mail, if it is to preserve the Universal Service Obligation (USO) to deliver collect and deliver mail to the UK customer's doors, six days a week, at the same affordable rates.
- 2.2. Zonal Pricing is a move towards a pricing regime for large volume mail items more in line with the actual costs incurred to provide this service. Royal Mail is currently being compelled to carry mail at less than half the price of a first class stamp and is swiftly losing its market share to entrants who do not have to bear the USO costs. Adjusting the cost for bulk mailing, more in line with the competition, fits more readily with Postcomm's agenda. It is therefore surprising that Postcomm have rejected these proposals, creating a position where the market can utilise the Royal Mail to pick up the high cost scraps while the competition enjoys the cream.
- 2.3. In many respects Postcomm has failed to ensure it meets its objective of introducing competition into the mails market. Effectively what Postcomm has achieved is competition in the logistics leg of the mails pipeline, where competitors to the incumbent collect high volume, clean machinable mail and transport this, with minimum sorting, to inward mail centres. These high volumes have previously been the backbone of the natural monopoly that existed with the USO whereby Royal Mail would collect and process all items some of which would be cheaper than others to deal with.
- 2.4. Unite CMA has been critical of competition for the sake of it but consistently supportive of competition where it does not threaten the public service enjoyed and expected by the general public and business. There was a demonstrable need to respond to the European Directive on Postal Services but only in a structured, measured and considered way. Unite CMA believes that Postcomm has failed in this regard and competition is not being implemented in the way that was originally envisaged.

- 2.5. Unite CMA is also concerned that the shape of the competitive mails market in the UK places in jeopardy the future of the USO and that changes to the market make initiatives such as Zonal Pricing, particularly where it levels the playing field and allows Royal Mail to compete with others without regulatory handcuffs.
- 2.6. Postcomm has therefore, in the opinion of Unite CMA, opened up profitable areas of operation to competition without redressing the balance in any way. Their actions are putting at risk job security for staff and our members, as the Royal Mail struggles to remain operational.

3. The Impact of Zonal Pricing

- 3.1. In practical terms, the introduction of Zonal Pricing is seen as complex and perhaps overly so. Unite CMA considers that Royal Mail has failed to get its message across and, indeed, may have added to the confusion. Businesses will have to make some investment in technology to accommodate Zonal Pricing and it will be a matter for them to consider the cost benefit analysis of so doing. Royal Mail should also review its approach and ensure that there is sufficient information and resources available to support customers who opt to make use of the new arrangements.
- 3.2. Although the Royal Mail would like to see a price increase in the cost a stamp to the consumer, this pressure would have been deferred if Zonal Pricing had been approved.

4. Conclusion

- 4.1. Although this is not a popular move with the market, it is a step which is a necessity. Unite CMA has already seen the knock on effects to the Royal Mail of attempting to cut overheads and staffing costs. To break even and not become a burden to the tax payer, change is needed.
- 4.2. Unite CMA considers that Zonal Pricing is becoming more and more necessary as competition develops. The threat of ongoing losses of mail items to Down Stream Access (DSA) whilst Royal Mail is encumbered through regulatory restrictions is unjust and unwarranted. In 2006/7 DSA accounted for over 10.8% of total mail volume,

accounting for over 2 billion items¹ with this figure set to grow in popularity with the business to business and business to customer markets.

- 4.3. Unite CMA believes that the market has developed to the extent that Zonal Pricing is required by Royal Mail, and would not be anti competitive, and that Postcomm should accept the Royal Mail amended application to introduce it.

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¹ Source Royal Mail