

## End-to-end competition and the Universal Service

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# The Universal Service

- The Universal Service sees Royal Mail:
  - **Deliver** letters to all 29 million UK addresses **six days a week** (five for parcels)
  - **Collect** from 115,000 post boxes, 11,500 post offices and 80,000 businesses **six days a week**
  - Provide a **one-price-goes-anywhere affordable tariff** across the UK
- The Universal Service also includes a free-of-charge postal service to blind or partially sighted people and free carriage of legislative petitions, amongst other requirements
- The Universal Service is enshrined in law under the Postal Services Act 2011



## Competition in the UK letters sector

### Downstream access competition (or 'access mail')

Allows providers other than the Universal Service Provider (Royal Mail) to collect and sometimes sort mail from businesses. They then give it to Royal Mail to deliver 'the final mile'.

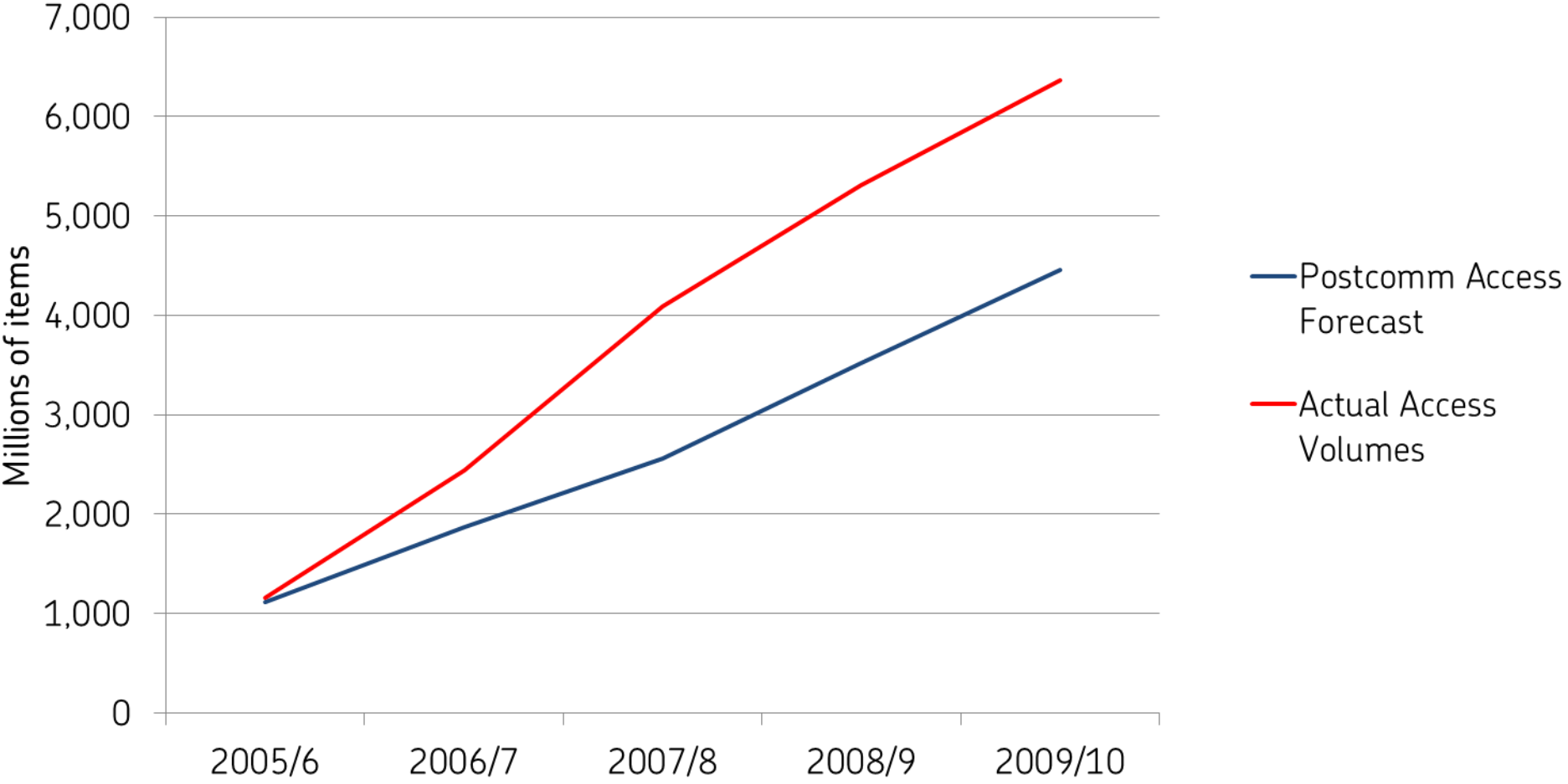
Introduced in 2004, downstream access competition has created a market where competitors to Royal Mail control 70% of upstream business mail and over 50% of all mail.

### Direct delivery competition (or 'end-to-end' competition)

Allows providers other than the Universal Service Provider (Royal Mail) to deliver mail to homes and businesses. TNT Post UK provides end-to-end postal services to its clients. It collects, sorts and delivers their mail.

TNT Post UK intends to cover over 42% of UK addresses by 2017, but only 8.5% of the UK geography.

# Postcomm 2005 access volumes projections



# The UK economic geography makes it ripe for 'cherry picking'

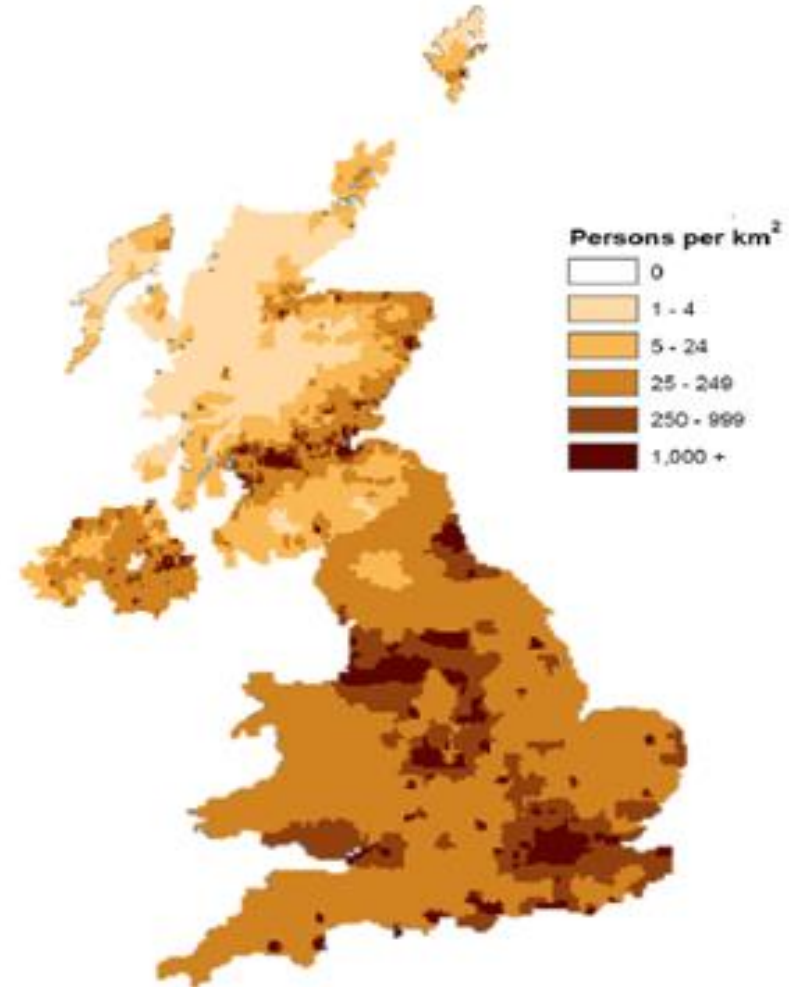
## High density areas:

15% of the UK population live in high density areas comprising 1% of UK landmass

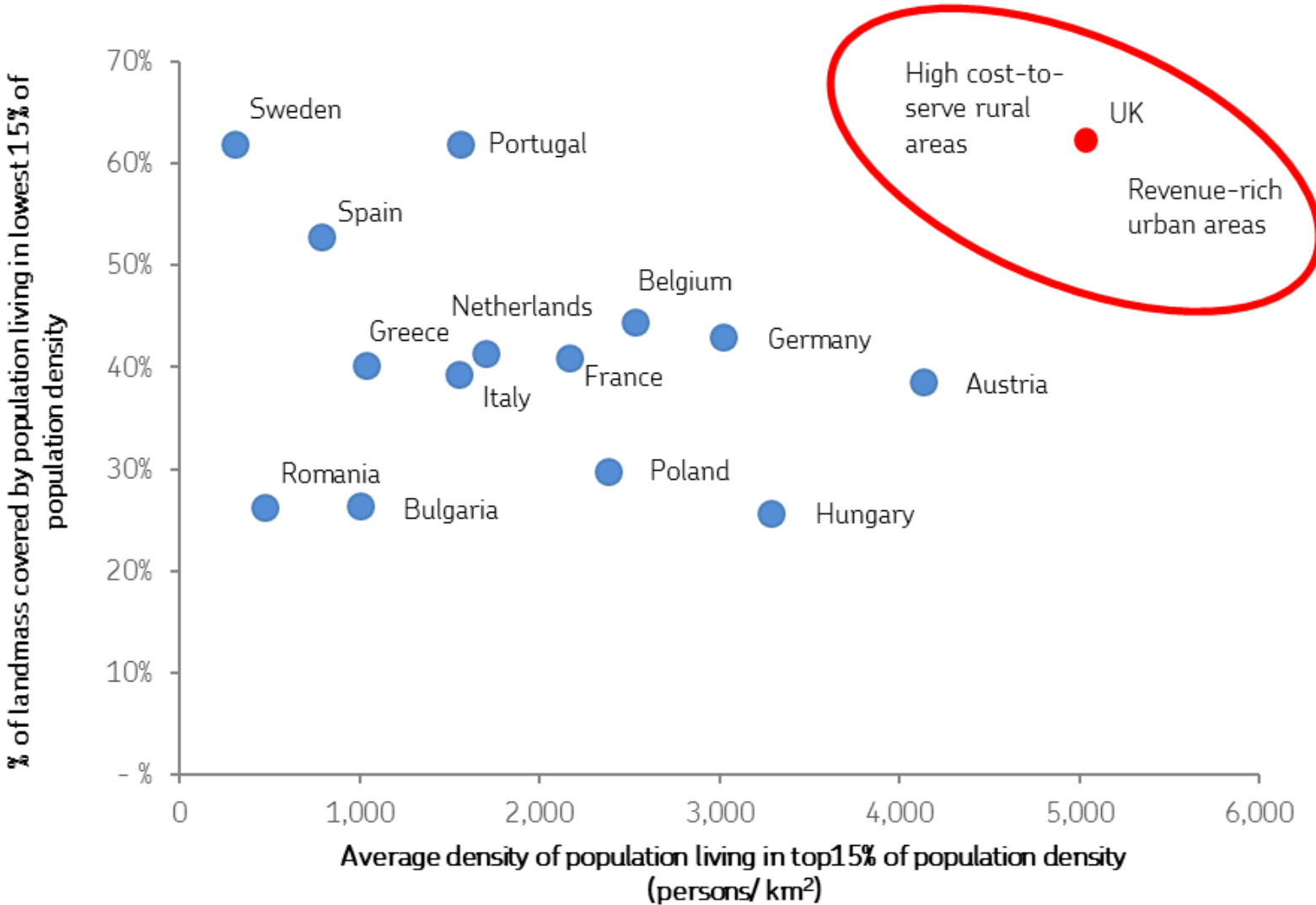


## Deeply rural, costly to serve areas:

15% of the population live in low density areas covering 63% of landmass



# European population density comparison



# TNT plans, Marketforce conference October 2013

Where will we be in 2017?



42.3%

Covering  
42.3% of total UK  
addresses by  
delivering in 8.5%  
of the total UK area

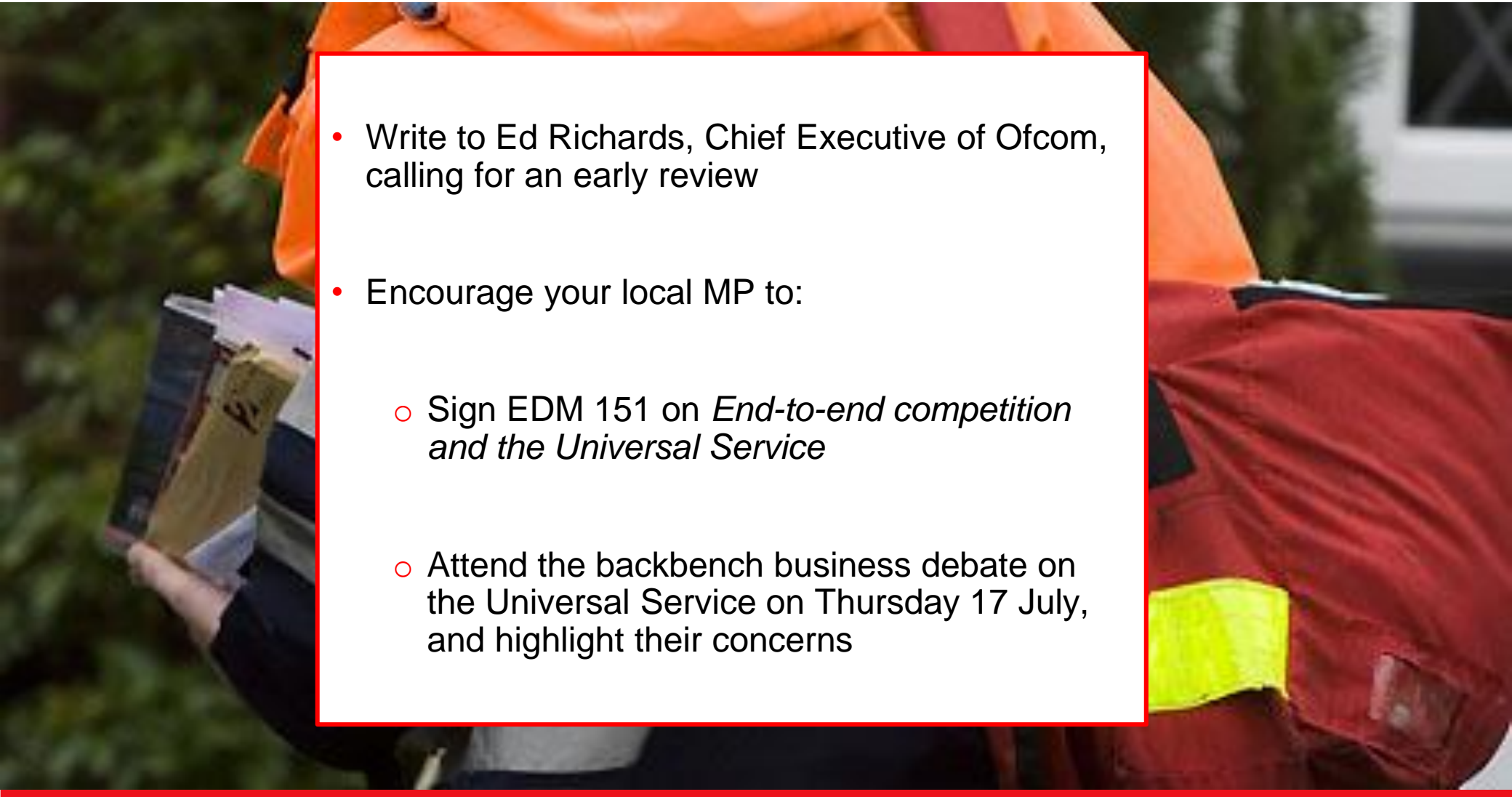


## Direct delivery undermines the Universal Service that people value, and want to see preserved in its current form

- Direct delivery is not level playing field competition that brings benefits to consumers. Rather, it is 'cherry picking' arbitrage' across three dimensions:
  - **Where:** TNT Post UK Ltd (TNT Post) aims, by 2017, to deliver to c.42% of UK addresses. It believes it can achieve this by serving c.8.5% of the UK's geographical area. All of the areas TNT Post is delivering in are amongst the cheapest 'costs to serve' for a new entrant.
  - **When:** TNT Post provides an 'every-other-day' service. Royal Mail must abide by the USO: six day delivery and collection service for letters (five for parcels).
  - **What:** TNT Post is only delivering mail originating from business customers, much of which is machine-sequenced. This type of mail is valuable for the USO provider. It is easier to handle, provides dependable volumes and a good financial contribution. The mandatory access regime means we must handle any item TNT Post does not wish to deliver itself.



## How you can help

- 
- Write to Ed Richards, Chief Executive of Ofcom, calling for an early review
  - Encourage your local MP to:
    - Sign EDM 151 on *End-to-end competition and the Universal Service*
    - Attend the backbench business debate on the Universal Service on Thursday 17 July, and highlight their concerns