

Response to the Scottish Affairs Committee's inquiry into postal services in Scotland

November 2010

Introduction

The Federation of Small Businesses is Scotland's largest direct-member business organisation, representing around 20,000 members. The FSB campaigns UK-wide for an economic and social environment which allows small businesses to grow and prosper. This response has been submitted by the FSB's Press and Parliamentary Office in Scotland on behalf of its Scottish members.

The FSB has already provided written evidence on the Postal Services Bill to the Bill Committee. Some of the information provided below therefore mirrors our previous submission.

What is the demand for postal services in Scotland and how might this change in future?

Demand is still high for postal services amongst the small business community. Below is some feedback from our members via 2009 and 2010 member surveys about postal services.

Views of Scottish members

- 56% of Scottish FSB members rely on the Royal Mail and post office services for between 80 and 100% of their business post.
- A higher percentage (33%) of Scottish members rely on Royal Mail for 100% of their business post compared with the whole of the UK (28.2%)
- 16% of Scottish FSB members have no available alternative carrier in their area.
- Of those who have access to alternative carriers, around 41% of Scottish members consider their services to be too expensive.

- 61% of Scottish members said that changes to the postal service could have a negative impact on their cash flow.
- 71% of Scottish FSB members would be prepared to pay more for stamps and other postal services in return for improved services from Royal Mail.

Views of all our members (including Scottish members):

- 59% of FSB members in the UK want to continue to receive mail deliveries six days a week.
- 94% of our UK members want a UK-wide postal service.
- 82% want to keep the single, UK-wide pricing structure

How could the range of services provided by the Royal Mail Group be expanded to include Government, local government and financial services?

Post offices may have a more prominent role in providing a link to services, particularly online government services, for those who do not or cannot access the internet. There are many in remote communities whose access to the internet is at best limited and at worst non-existent. A significant proportion of the UK population (around 9.2 million according to the latest figures from the Office of National Statistics) has still never accessed the internet. In terms of FSB members, around 11% of Scottish members indicated that they did not use the internet at all in 2009. This indicates that there are still a few small Scottish business owners who appreciate opportunities to access hard copy forms or obtain assistance in submitting information electronically.

A dedicated business counter for business transactions and business post in post offices would be beneficial for our members, particularly in improving efficiency of service. The FSB has campaigned for the establishment of a publicly owned Post Bank, operating through post offices and offering a full range of banking services, because at least 38% of our members indicated that they would switch their account to a Post bank tomorrow for business banking if available. A further 18% would have switched if its establishment were proved successful. We therefore regret that the option was rejected at this time and would urge Government to reconsider its position in the near future.

Post Offices in local communities are uniquely placed to gather the views of local users. The House of Commons Business and Enterprise Committee's report in 2009 highlighted the potential of the postal network in local and central government consultation and information dissemination. For example business advice and signposts to resources to support businesses such as Business Gateway in Scotland and local authority economic development activity would be useful.

Financial services should continue to be delivered by post offices and the options expanded. These services are particularly valued by individuals and small businesses in remote locations.

Is the number of post offices and availability of postal services in Scotland in a) urban, b) rural and c) remote areas right?

Post office closures must be halted. Currently the majority of business users in Scotland are reasonably content with access to post office services currently available, although there is room for improvement in the quality and breadth of services. The latest round of closures still sought to ensure a distance from the nearest post offices of no further than 6 miles. Travel time and cost to and from post offices are deterring factors for any further closures. The longer and more money and fuel spent trying to get to and from post offices by more people the higher their carbon footprint, and the lower their productivity. This is true in either rural or urban settings. Where rural areas have limited access to internet, the reliance on the post office for a wider range of services is also a factor.

Is the number and role of sub post offices and outreach services effective in providing postal services in Scotland?

There are more than 1,400 post offices providing postal, financial and other services in Scotland. By and large this is a satisfactory number and geographical spread according to the recent Consumer Focus Scotland survey, Consumer Survey 2010.

What are the implications of the Postal Services Bill for the universal service obligation?

The Bill is not clear about what defines the universal postal service and there appear to be several clauses which allow for a withdrawal of what is currently understood to define the universal service. The FSB is concerned that any step back from current expectations would further disadvantage small businesses, especially in rural and remote areas where geographical location, population and other factors already exert pressures.

Some particular areas for concern in the Bill are set out below.

Part 3, Clause 28-29: OFCOM's duty to carry out their functions in such a way that they consider will meet the needs of users of the universal postal service.

The wording of the clause leaves the possibility of OFCOM deciding what consumers should want or need. FSB believes that OFCOM should be required to consult business customers – particularly small businesses – to determine what constitutes reasonable needs of users. The same goes for Clause 32, (2b), page 18 line 8-9 which states that minimum USO requirements do not need to be met in such geographical conditions or other circumstances as OFCOM consider to be exceptional.

Part 3, Clause 28: efficiency and financial sustainability are named as factors that the service would be subject to.

This suggests that were it less efficient and less financially viable to provide a service to a particularly remote area, the service might be suspended, thereby negating its

‘universality’. Businesses and consumers in remote areas, particularly islands, are already at a disadvantage relative to their more urban mainland counterparts. Some carriers refuse to deliver to islands and others impose a much higher cost on the consumer for delivery because of the distance and remoteness of the address. Reliance on the universal service here is therefore far greater.

Similarly, Part 3, Clause 30, sub-section 1(b) makes a provision for OFCOM to designate identifiable points for the receipt of postal packets which indicates that a withdrawal from delivery to every address in the UK 6 days a week might be possible under proposed legislation.

This clause may relate to collection of parcels when delivery is not possible due to no-one being home, or delivery to another designated point at the request of the recipient, but it could also be otherwise interpreted. The Bill must not be worded in such a way as to allow for withdrawal of the service to customers. Should the Bill wish to encourage the designation of additional points at the behest of customers, this should be legislated for elsewhere, rather than amending the minimum standards of service.

Part 3, Clause 30 lines 28, 35 and 39 refer to affordable prices.

The FSB considers that the term ‘affordable’ should be determined by the business community whose mail requirements are the most time critical and cash-flow dependent. The prices should be affordable, minimal and universal. This too applies to Clause 35 (4-5), lines 13-22.

Part 3, Clause 33, page 18 refers to a review of minimum requirements of the universal service which would be carried out by OFCOM

The FSB believes that this Clause should include consultation with businesses and others who depend on the postal network as an integral part of any review.

What benefit might a mutually owned or community run Post Office have for Scotland?

The FSB is not best placed to take a view on the benefits or otherwise of various business or governance models for the post office or its services. Our priority is that the services, whatever model used, meet the reasonable needs of the small business customer.

Comments on the work of Parcelforce and the delivery of parcels to remote areas in Scotland

The FSB seeks a level playing field for all Scottish businesses regardless of their location and continuation of the Parcelforce service and standard pricing is key to this aim. Some other carriers charge far higher tariffs for delivery to and collection from remote and rural areas, thereby disadvantaging rural businesses in comparison to their urban counterparts. Some carriers do not even provide a service to areas beyond the Scottish mainland, which means that island communities and businesses rely even more heavily on Parcelforce.

What is the impact of postal services in Scotland on businesses?

Our statistics above show that small businesses such as our members still rely heavily on the postal service for receipt and distribution of payment by cheque to and from both suppliers and staff. Changes to the postal services, particularly the universal service obligation cause concern amongst our Scottish members who are only too aware of the significant impact delays in receipt or dispatch of payment can have on small businesses with limited cash-flow. The impact is proportionally more adverse than for large business and in Scotland where 93% of the private sector is made up of small businesses with fewer than 10 employees¹, this should be particularly considered.

The wider economic impact of postal services in Scotland on rural communities

Businesses in remote areas in many ways represent the lifeblood of those areas and have a proportionally larger impact on community and economic resilience than similar businesses in more urban settings. Improvement in efficiency of the postal service should facilitate – not present an obstacle to – commerce in remoter areas. There are opportunities to maximise the positive effects the postal services can have on small rural businesses as outlined above, but a further withdrawal and contraction of the service's reach could contribute to disastrous outcomes for these same businesses, and could ultimately lead to greater community dependence on the public purse, thereby negating any efficiencies gained by the reduction of service.

For further information on any of the points raised in this submission, please contact [Mary Goodman](mailto:Mary.Goodman@fsb.org.uk), Senior Policy Advisor: mary.goodman@fsb.org.uk t: 0141 221 0775.

¹ Scottish Corporate Sector Statistics 2010