

1 July 2009

The Rt Hon Lord Mandelson
Secretary of State for Business, Innovation and Skills
1 Victoria Street
London SW1H 0ET

Dear Peter

Postal Services Bill and regulation proposals

I write to you following your comments in the House of Lords on Wednesday 1 July indicating that the Postal Services Bill will not be advanced until market conditions have changed and a suitable strategic partner for Royal Mail can be found.

Consumer Focus believes all parties must focus on building a high performing, modern and responsive Royal Mail and postal sector that meet the needs of UK consumers, and have supported key elements of the Bill that we believe help achieve this goal.

Consumer Focus has taken a neutral view on possible partnership arrangements for Royal Mail and that remains our position, however we support proposals to transfer postal regulation from Postcomm to Ofcom.

Consumer Focus believes there are risks that the effective regulation of the postal sector could suffer while the Bill is delayed further. The case for regulatory change has been clearly set out by your department and is not contested by any of the main stakeholders. All support the transfer of responsibility to Ofcom and welcome the improved regulatory powers that are being proposed. Much work has been done to set the scene for the transfer of regulation and Postcomm has sensibly put on hold a number of key elements of its work in anticipation of the change in regulatory responsibilities.

Further delays in changing the regulatory framework would not be in the consumer interest. If we are not already in a state of regulatory limbo, we are about to enter one, resulting in negative impacts for consumers. Much needed activities such as the reviews of the access regime and price control arrangements are effectively on-ice while the Bill is delayed. At present, the earliest date Ofcom can introduce a new price control regime is January 2012. Further delays in the legislative process would undoubtedly push this date back.

Given your comments that the Bill will be revisited once market conditions change, Consumer Focus believes that the regulatory proposals should be advanced as soon as possible, even if that's a stand alone measure.

This would not preclude the government from further investigating partnership options, but reflects the need for urgency to establish clarity on the issue of postal regulation and start to address Royal Mail's serious problems, which can only be exacerbated by regulatory uncertainty.

I would urge you to reconsider your approach and would be happy to meet to discuss our concerns further.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'L. Whitty', with a large, sweeping flourish at the end.

LORD WHITTY
Chair