



DEBATE PACK

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Royal Mail delivery office closures

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Summary

A Westminster Hall debate on Royal Mail delivery office closures is scheduled for Wednesday 11th October 2017 at 2:30pm till 4:00pm.

Royal Mail Group, through its UK division UKPIL, owns and operates around **1,400 delivery offices across the UK.**

In their 2016/17 Annual Report Royal Mail state that as part of their 'strategic focus on costs' they are committed to "reducing the number of facilities while ensuring [they] have the most accessible Delivery Office network in the UK."

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The House of Commons Library prepares a briefing in hard copy and/or online for most non-legislative debates in the Chamber and Westminster Hall other than half-hour debates. Debate Packs are produced quickly after the announcement of parliamentary business. They are intended to provide a summary or overview of the issue being debated and identify relevant briefings and useful documents, including press and parliamentary material. More detailed briefing can be prepared for Members on request to the Library.

1. Delivery Offices

Royal Mail Group, through its UK division UKPIL, owns and operates around **1,400 delivery offices across the UK**.¹

Delivery Offices are facilities “serving a defined geographical area where postal packets are prepared for final delivery.”² In addition to functioning as a local sorting office, Delivery Offices provide a local point for customers to collect mail that Royal Mail were unable to deliver.

Royal Mail Group has been undergoing a substantive modernisation and efficiency programme since 2010. In their 2016/17 Annual Report they stated that as part of their ‘strategic focus on costs’ they are committed to “reducing the number of facilities while ensuring [they] have the most accessible Delivery Office network in the UK.”³

1.1 Modernisation of Delivery Offices

Royal Mail has been making changes to its network of Delivery Offices as part of a wider modernisation and efficiency programme.

This modernisation programme has included the introduction of new equipment such as high-capacity trolleys, using technology to improve route efficiency and Sunday opening at the busiest Delivery Offices.⁴

In their 2014/15 Annual Report Royal Mail stated that almost all Delivery Offices in their network had undergone some form of modernisation.⁵

1.2 Delivery Office closures

The latest detailed estimate of the number of delivery offices in Royal Mail’s network is for 2014/15 when there were 1,333 delivery offices.⁶ Royal Mail are currently reporting, as they have for some years, that there are around 1,400 delivery offices in their network.⁷

Andrew Towers (Head of Political Strategy at the Communications Workers Union) tweeted that 75 delivery offices had been closed since Royal Mail Privatisation.⁸

Modernisation and efficiency savings have driven the rationale for the Delivery Office closures. Royal Mail state that the declining letters market and the highly competitive parcels market have increased the pressure on their revenue. They state that making efficiency savings is crucial to ensure they remain competitive.⁹ As part of this programme

¹ Royal Mail Group, Annual Report and Financial Statements 2016/17, p3

² Ofcom, Communications market report 2017, p234

³ Royal Mail Group, Annual Report and Financial Statements 2016/17, p17

⁴ Royal Mail Group, Annual Report and Financial Statements 2010/11, p8

⁵ Royal Mail Group, Annual Report and Financial Statements 2014/15, p10

⁶ UK Parliament, [Early Day Motion 1009 for the 2015-16 Parliamentary Session](#)

⁷ Royal Mail Group, Annual Report and Financial Statements 2016/17, p3.

⁸ Towers, A (@-andrewtowers) [09/10/17 tweet, 1:53pm](#). [last accessed 09/10/17]

⁹ Royal Mail Group, Annual Report and Financial Statements 2016/17, p17

Royal Mail have reduced non- people costs by 15% over the past four years.¹⁰

Royal Mail state that before making a decision to relocate or close a delivery office they twelve-week internal feasibility study including consultation with staff and trade unions.¹¹

Closing Delivery Offices and 'streamlining services' into fewer centres allows Royal Mail to make savings in their operational costs. Reducing the size of their property portfolio also allows Royal Mail to raise capital from the sale of property. In 2016/17 Royal Mail reported that they had raised £37million from the sale of property, plant and equipment (excluding their London portfolio).

Royal Mail Proceeds from disposal of property, plant and equipment

Excluding the London portfolio

2012/13	2013/14	2014/15	2015/16	2016/17
£52m	£36m	£39m	£38m	£37m

Source: Royal Mail Annual Report and Financial Statements 2014/14 -2016/17

¹⁰ Royal Mail Group, Annual Report and Financial Statements 2016/17, p3

¹¹ Royal Mail, personal communication, September 2017

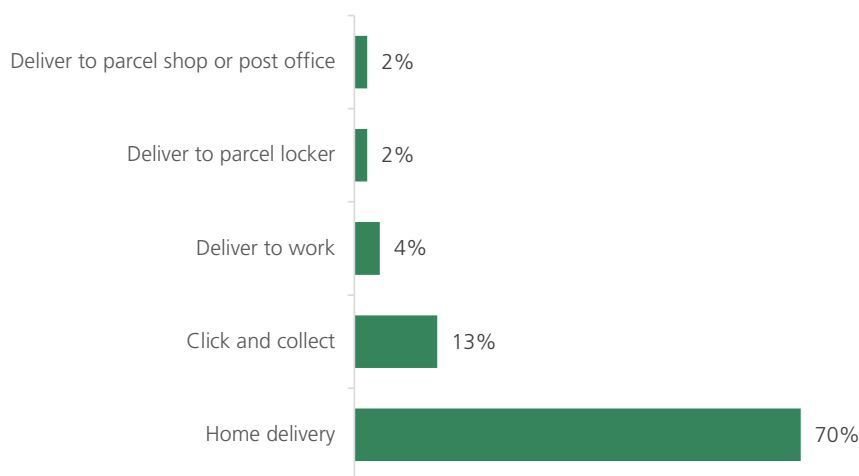
2. Delivery Offices and parcel collection

Delivery Offices serve an important function as a collection point for undelivered mail, notably parcels undelivered to customers' homes.

Critics of the Delivery Office closures cite the difficulties the closures cause to consumers and businesses. Customers in affected areas have to travel further to collect undelivered items. In some cases, for instance where consumers are reliant on public transport, or frequently have to collect parcels as part of their business, this can be more problematic.¹²

Services such as 'click and collect' and parcels lockers, reduce the chances of failed delivery to consumers and therefore in turn reduce the reliance Delivery Offices for collection. Ofcom surveys indicate that as of yet there is limited appetite for these alternative services from consumers. Ofcom's latest Communications Market Report highlighted that 70% of online shoppers prefer to have their parcel delivered to their home address, with only 13% of respondents said they prefer to use 'click and collect'.¹³

Preferred method of delivery when shopping online



Source: Ofcom, Communications market report 2017, p210

Notes: excludes 'other' and 'do not know'

Royal Mail have bought in schemes to attempt to reduce the number of failed home deliveries. Their 'Delivery to Neighbour' scheme allows customers to nominate a neighbour to receive their parcel. Royal Mail have also introduced [Local Collect](#) which allows customers to have parcels delivered directly to their local Post Office branch or Royal Mail

¹² See section four

¹³ Ofcom, Communications Market Report 2017, p210

Customer Service Point to collect at their convenience.¹⁴ Royal Mail also offer redelivery services for parcels taken to Delivery Offices.¹⁵

2.1 Consumer problems in the UK parcel market

The impact on consumers of Delivery Office closures is set against a backdrop of growing concerns around the general quality of service in the parcel delivery market.

The Department of Business Innovation and Skills (now Department of Business, Energy and Industrial Strategy) alongside the Consumer Council Northern Ireland, Citizens Advice Scotland and the Citizens Advice Bureau published a Statement of principles for parcel deliveries in 2014. This document is not a code of practice or a form of regulation but offers a set of principles which retailers can voluntarily follow aimed at increasing quality of service.¹⁶

Citizens Advice (the consumer watchdog in postal services) published research in June 2017 which indicated that two thirds of online shoppers had suffered problems with their parcel delivery. Their research showed:

- 38% of people have had a parcel arrive late - including more than one in ten (16%) who paid for premium delivery service.
- More than 1 in 10 have received damaged items.
- More than 1 in 5 had a parcel go missing
- 28% had a parcel left in an unsecure location
- 28% were at home but had a note through the door saying the parcel couldn't be delivered.¹⁷

Citizens Advice made three recommendations for further investigation. They recommended that:

- Failed deliveries could be reduced by investing in community pick-up points, and requiring new builds to have a parcel locker.
- A voluntary certification scheme to indicate which companies adopt and apply the Statement of principles for parcel deliveries could be created.
- There could be a case for stronger regulatory intervention.

¹⁴ Royal Mail, [Local Collect](#), [last accessed 09/10/17]

¹⁵ Ofcom, Communications Market Report 2017, p210; Royal Mail '[Redelivery](#)', [last accessed 20/09/17]

¹⁶ Department for Business, Energy and Industrial Strategy; The Consumer Council Northern Ireland; Citizens Advice Scotland; Citizens Advice Bureau, [Parcel deliveries: best practice guide](#), July 2014

¹⁷ Citizens Advice [Parcel Delivery: Delivery services in the online shopping market](#),

3. Royal Mail Group

Royal Mail Group is the UK's largest postal operator, the only postal operator currently providing UK wide end-to-end letter delivery services, and the UK's universal service provider.

As the universal service provider Royal Mail must provide a 'one price goes anywhere' postal service. Royal Mail is required to deliver letters to every address in the UK six days a week, at a standard price.¹⁸

Ofcom, as the regulator of postal services, has responsibility to promote competition in the postal services market whilst protecting the universal service.

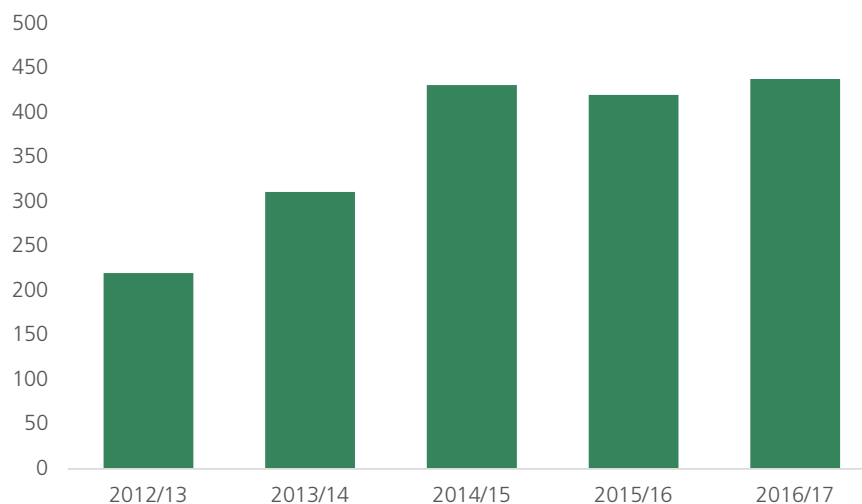
Royal Mail is a formally publicly owned business that was privatised following the passing of the [Postal Services Act 2011](#). The Post Office, now a separate business, remains entirely owned by the Government.

3.1 Financial performance of Royal Mail

Royal Mail profits after tax have almost doubled since 2012/13. In **2016/17 Royal Mail posted an adjusted profit after tax of £438million**, £218million more than in 2012/13, an increase of 99%.¹⁹ However profits have been relatively flat over the past three years.

Royal Mail Group, profit after tax, 2012/13- 2016/17

(£millions- adjusted)



Source: Royal Mail Annual Report and Financial Statements 2016/17, p150

Royal Mail fell out of the FTSE 100 Index, the 100 companies on the London Stock Exchange with the highest market value, on close of business on the 15th September 2017.²⁰

¹⁸ The universal service requires parcels to be delivered to every address five days a week.

Ofcom, 12 July 2013, [Universal postal service order](#)

¹⁹ Royal Mail adjust their reporting figures to exclude the pension charge to cash difference and specific items.

²⁰ BBC News, Royal Mail leaves the FTSE 100 in quarterly shake-up, 30/08/17, last accessed [18/09/17]

Upcoming CWU Strike action

On the [5th October 2017](#) the Communications Workers Union (the largest union in postal services which represents around 84% of Royal Mail operational staff) served notice to Royal Mail Group for a 48 hour strike beginning at 11am on Thursday 19th October. This was following a successful ballot of CWU members in favour of strike action.

The strike has been called primarily over proposed changes to the Royal Mail pension scheme but the CWU have also expressed concerns over pay, working conditions and job security. More information can be found on the CWU's ['Four Pillars' campaign website](#). Royal Mail are [proposing](#) to replace the current Defined Benefit scheme, the Royal Mail Pension Plan (RMPP), with another type of Defined Benefit scheme, a Defined Benefit cash balance scheme.

4. Parliamentary material

4.1 Early Day Motions

Recent Early Day Motions have expressed concerns over the closure of Delivery Offices.

[Early Day Motion 185 of the 2017-19 Parliamentary session](#) raised concerns that Delivery Office closures stripped Royal Mail assets and threatened the accessibility of Royal Mail services to venerable consumers.

EDM 185, 'Royal Mail', tabled 13/07/17, primary sponsor Helen Hayes

That this House notes that Royal Mail provides vital public services in the delivery of letters and parcels and the provision of PO Box services; further notes that when it was privatised by the Coalition Government in 2013 concerns were raised about the continued provision of local delivery offices, but that no safeguards were put in place to stop asset-stripping in the form of forced closures and sale of local delivery offices; condemns the current delivery office closure programme which is threatening the accessibility of Royal Mail services in many communities across the UK, and which has a particular impact on vulnerable residents and young families; further condemns the absence of any requirement for public consultation in relation to delivery office closures; and calls on the Government to intervene to preserve local delivery offices and protect Royal Mail against asset-stripping.

[Early Day Motion 1009 for the 2015-16 Parliamentary session](#) raised specific concerns about the closure of the Delivery Office in Ossett, Wakefield. Alongside citing the impact the closure would have on vulnerable customers this EDM raised the issue of the impact of the closure on local business.

EDM 1009, 'Royal Mail Delivery Office Closures', tabled 26/01/16, primary sponsor Mary Creagh

That this House notes the potential closure of the Royal Mail delivery office in Ossett, Wakefield; further notes that this may affect in excess of 11,000 properties; notes the impact that this will have on customers who rely on this facility to receive their goods, especially those with disabilities, those who rely on public transport, those with busy working lives and those with caring responsibilities; notes that many small and medium-sized businesses and self-employed tradespeople may be adversely affected by potential closures; notes that, according to Royal Mail annual reports, the number of delivery offices has dropped from 1,356 in 2012 to 1,333 in 2014-15, a loss of more than 20 sites since privatisation; believes that further delivery office closures could be forthcoming; further believes that proximity to communities is a key factor in the efficiency of delivery services; believes that maintaining current facilities is crucial to support both local economies and social inclusion; calls on the Royal Mail to reconsider any further closures; and also calls on the Department for Business, Innovation and Skills to condemn any such closures.

4.2 Petitions

Members of Parliament have presented public Petitions to the House concerning specific Delivery Office closures in their local areas.

Responding Minister Margot James (Parliamentary Under Secretary of State, Minister for Small Business, Consumers and Corporate Responsibility) notes to the petitioning Members that the closure of the Delivery Office “does not affect [Royal Mail’s] ability to deliver the universal postal service” and that the decision to close a Delivery Office is “an operational matter for Royal Mail’s management”.²¹

[Royal Mail *delivery office* in Marple](#)

07 Nov 2016 | Petitions (Government responses) | House of Commons | 616 c8P

Lead member: Wragg, William | **Answering member:** James, Margot

Department: Department for Business, Energy and Industrial Strategy

[Royal Mail *delivery office* in Bredbury](#)

07 Nov 2016 | Petitions (Government responses) | House of Commons | 616 cc7-8P

Lead member: Wragg, William | **Answering member:** James, Margot

Department: Department for Business, Energy and Industrial Strategy

[South Bank Royal Mail *Delivery Office*](#)

03 Sep 2012 | Petitions (Government responses) | House of Commons | 549 cc2-5P

Department: Department for Business, Innovation and Skills

[Royal Mail *Delivery Office, Kidsgrove, Staffordshire*](#)

12 Jan 2012 | Petitions (Government responses) | House of Commons | 538 c3-4P

Department: Department for Business, Innovation and Skills

²¹ James, M, Petitions Government response, 616 cc7-8P, November 2016

5. Press articles and policy documents

5.1 Press articles

Financial Times, [Royal Mail poses mounting problems for chief executive](#), September 2017

Greene's attempt to revamp postal business under threat as spectre of strike looms

BBC News, [Royal Mail leaves the FTSE 100 in quarterly shake-up](#), August 2017

The FTSE 100 closed higher on Wednesday, but Royal Mail is set to leave the ranks of the blue chip index.

BBC News, [Royal Mail Mount Pleasant sorting office sold for £193m](#), August 2017

Royal Mail has sold six acres of its north London sorting office to housing developers for £193.5m.

Financial Times, [Royal Mail set to close 'gold-standard' pension scheme](#), August 2017

Recent local news items on specific closures

Kirkintilloch Herald, [Anger over Royal Mail plan to axe parcel delivery office](#), September 2017

East London & West Essex Guardian, [Royal Mail puts controversial South Woodford delivery office move on hold](#), September 2017

Wiltshire Gazette & Herald, [Royal Mail denies closure rumours](#), September 2017

South Leeds Life, [Holbeck sorting office to close?](#) September 2017

The Review, [Marple delivery office closure](#), July 2017

5.2 Policy and briefing documents

House of Commons Library, [Postal Services](#), September 2017

This note gives an overview of postal services in the UK. It discusses current regulation, market trends and consumer problems.

Ofcom, [Communications Market Report 2017](#). August 2017

Ofcom's latest Communications Market Report looks at how consumers use the communications services available to them, as well as exploring how the communications market is changing. There is a UK-wide report as well as reports for Northern Ireland, Scotland, and Wales.

Citizens Advice, [Parcel Delivery: Delivery services in the online shopping market](#), June 2017

This report explores consumer experiences of parcel delivery services in the online shopping market. It sets out the scale and type of problems online shoppers experience with parcel delivery, their rights to redress, and the extent to which these rights are taken up and upheld in practice.

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