

Your response

Question	Your response
<p>Question 2.1: Do you agree with Ofcom's proposed regulatory approach for regulating postal services over the next 5-year period (2022-2027)? If not, please explain the changes you think should be made, with supporting evidence.</p>	<p>Confidential? – N</p> <p>The Advisory Committee for Scotland (ACS) is one of a number of committees and advisory bodies, established under the Communications Act (2003) to inform the work of the Ofcom Board and Executive. The ACS is one of four committees representing each of the UK's nations, specifically to <i>'advise Ofcom about the interests and opinions, in relation to communications matters, of persons living in Scotland.'</i> Therefore, in the responses below, comments highlight specific considerations particular to Scotland wherever possible. This submission draws on the knowledge and expertise of ACS members and is informed by our individual experience and through discussion at our meetings. It does not represent the views of Ofcom or its staff.</p> <p>We welcome the opportunity to respond to this consultation as we believe that the postal service is of particular interest to Scottish consumers. 17% of the population of Scotland live in defined rural areas. This number continues to grow at a faster rate than the rest of Scotland, driven by increases in accessible rural areas. However, 6% of the rural population live in 'remote rural areas' (living more than a 30-minute drive from the nearest settlement of 10,000 or more) - a much higher figure than the rest of the UK. ¹</p> <p>As we noted in our response to the recent Ofcom CFI on the postal service, we also believe that rural communities throughout Scotland can face connectivity challenges in other areas of communication. This produces a cumulative and negative effect on households and small businesses, increasing personal and business isolation. It can also produce an increased reliance on postal services and on the extended community contribution that the postal service can deliver to these areas.</p> <p>It is therefore important that any regulatory approach does not always consider postal communication in isolation and should be aware of the communication interdependencies that can exist within these rural communities across Scotland.</p> <p>Within the consultation we note the <i>'aim to support the financial sustainability and efficiency of the universal postal service, promote competition and improve protection for consumers.'</i> As a general point we would suggest that quality should be more</p>

¹ <https://www.gov.scot/publications/rural-scotland-key-facts-2018/pages/2/>

evident within these ambitions. Sustainability, efficiency, competitiveness and improved protection could all be delivered without improving the quality of the service which is ultimately what the consumer wants. In replying to recent press questions, Royal Mail's Chairman, Sir Keith Williams is quoted. *"The past few months have demonstrated that the challenge for Royal Mail is to improve both quality and efficiency,"* We welcome that focus on both efficiency and quality.

Therefore, whilst accepting Ofcom's proposal to provide Royal Mail with commercial flexibility, we believe that this should not come at the sacrifice of quality and service levels. Two million dissatisfied consumers is not a good headline. ²

We would also hope that this commercial flexibility produces investment into innovation to improve the quality of service. We believe the Ofcom should monitor Royal Mail financial plans and ensure that there is an acceptable shareholder dividend policy. A financial boost to shareholders whilst others await their posted documents again does not appear fair or consumer focussed. ³

We note the recent announcements relating to staff infrastructure within Royal Mail as part of efficiency improvements and would recommend that this continues. This should be transparent and hopefully also lead to much more efficient processes for the consumer. A simple example of this would be to look at consumer facing communications. Royal Mail's current "handy guide" consists of some 15 pages. There should be a requirement to ensure easy to understand pricing for the general public and SMEs.⁴

Within the consultation Ofcom state that they '*reserve the right to intervene and review our regulatory framework as necessary, but only if there are unanticipated major changes in the market during the review period.*' We would recommend that Ofcom should also have the right to intervene if it is

² <https://www.yourmoney.com/household-bills/two-million-people-missed-important-post-due-to-delivery-delays/>

³ <https://news.sky.com/story/royal-mail-rewards-investors-with-400m-payday-after-covid-boost-to-parcels-12471304#:~:text=Royal%20Mail%20is%20to%20hand,orders%20during%20the%20coronavirus%20crisis.&text=Royal%20Mail%2C%20which%20has%20focused,%25%20on%20pre%2Dpandemic%20levels.>

⁴ <https://www.royalmail.com/sites/royalmail.com/files/2022-01/royal-mail-online-price-guide-january-2022-v2.pdf>

	<p>becoming obvious, through ongoing monitoring, that key planned 5 year targets (in particular those relating to quality of service) are going to be missed. Waiting until the 5 years is up before acting is not a good option and will be difficult to explain to a public who are dealing with a service in the here and now. The intention to publish Annual Monitoring Updates is important as they will hopefully provide the transparency required by all stakeholders.</p> <p>We also note and welcome the intention from Ofcom to strengthen efficiency monitoring. Ongoing and increased monitoring of all aspects of the plan will be key to delivery.</p>
<p>Question 3.1: Do you agree with our proposed approach to sustainability of the universal service? Please substantiate your response with reasons and evidence.</p>	<p>Confidential? – N</p> <p>Generally yes, as long as customers are placed at the centre of this sustainability, ensuring vulnerable and rural users are considered. It is acceptable for Royal Mail to operate profitably, as long as those profits are re-invested to make their business more efficient and to modernise their processes. We recognise that the environment Royal Mail are operating in is changing quickly as consumer needs and expectations change. Letters are declining and there is increased parcel competition but it is still a service recognised and valued by consumers. If Royal Mail can adapt and respond to those new expectations then it can continue to be a profitable and sustainable business.</p> <p>It should also remain a universal service offering the same level of service whoever and wherever you are based. Citizens Advice Scotland recently reported that certain areas of Scotland were particularly poorly served (eg Inverness). The quality of service should be consistent. This inequality of service needs to be explored and resolved.</p>
<p>Question 4.1: Do you agree with our proposal to maintain the historic approach but with the additional requirement on Royal Mail to set and report against a five-year expectation? Please substantiate your response with reasons and evidence.</p>	<p>Confidential? –N</p> <p>We believe that requiring Royal Mail to set and report against a five year is a positive proposal. It gives increased clarity to all stakeholders and gives Royal Mail a suitable time period in which to identify outcomes and action plans.</p> <p>However, as mentioned, previously, we would recommend that as part of these requirements Ofcom should be made aware of Royal Mail’s shareholder dividend strategy.</p> <p>Postage has become increasingly expensive for individuals SMEs and Public sector organisations across Scotland as well as</p>

	<p>the wider UK. There is a danger that these sets of Royal Mail customers and users ‘fund’ the shareholding strategy and shareholder returns. There is a therefore a danger that consumer individual spend, SME spend and taxpayer spend via Public Sector is seen to be going directly to shareholders rather than investing in the company, innovation and the future.</p>
<p>Question 4.2: Do you agree with our proposals in relation to the monitoring and publication of the efficiency expectations prepared by Royal Mail? Please substantiate your response with reasons and evidence. Please substantiate your response with reasons and evidence.</p>	<p>Confidential? –N</p> <p>Anything that can contribute to more openness from Royal Mail is to be welcomed. Particular focus should be placed on actual performance against Royal Mail’s plan with additional benchmarking against other like sized post and parcel companies across western Europe to ensure that the Royal Mail efficiency plan is adequately challenging.</p> <p>We note the intention of Ofcom to finalise the expectations policy, including the most appropriate metrics in their policy statement next year and look forward to the consultation</p>
<p>Question 5.1: Do you agree with our proposed approach of maintaining the current regulatory safeguards of the safeguard cap, high quality of services standards, and requirements on access to universal services? Please substantiate your response with reasons and evidence.</p>	<p>Confidential? –N</p> <p>We agree with maintaining the current safeguard cap for the moment. However, as we understand it, there will be a further review in this area, with work beginning at the end of 2022. We think it will be important to closely evaluate the situation at that point in time as current predicted cost of living pressures begin to impact households. Affordability of the service has to be seen as part of wider social change. If household expenses and the cost of living increases as feared, then it will be wise to consider where the postal service sits in relation to these other costs and whether it remains ‘affordable’ to most households.</p> <p>Currently there is uncertainty around the general public’s view of Royal Mail’s supposed high quality standards with many reports indicating unacceptable service for what is generally a relatively expensive service. This negative view may increase as other financial pressures come to bear.</p> <p>We therefore look forward to contributing to the review work as it develops.</p>
<p>Question 5.2: Do you agree with our proposal to not impose further regulatory requirements on Royal Mail in relation to Redirection pricing, following implementation of its improved Concession Redirection scheme? Please substantiate your response with reasons and evidence.</p>	<p>Confidential? –N</p> <p>Redirection services are used by consumers whose circumstances have changed and moved their address but continue to place a value on their received mail. There will be a sub section of the consumer base who are in either vulnerable or in trying circumstances. Whilst extremely valuable to those who need to use the service, it is generally seen as expensive. We note the differentiation in pricing is dependent on contract length, with 3 months contract being more expensive than</p>

	<p>longer term contracts. However it is likely that those who use this service would prefer shorter contracts as they be moving more than once. Homeless families can be moved to different accommodation at short notice, as and when it becomes available.</p> <p>In a matter of months household costs have spiralled in utility bills, food and particularly in households who have vulnerabilities, there may be choices having to be made not to take Royal Mail's redirection service due to cost. This cuts off potentially key communications of welfare and support from the very households who need it most.</p> <p>Whilst we understand Ofcom's current view that Royal Mail's refreshed Concession redirections terms from late November 2021 will address some of these affordability concerns, we would recommend that this needs careful monitoring and measuring to ensure that it is actually delivering the job that it is designed for. If it appears that the scheme is not working, then we believe the Ofcom should have opportunity to revisit this area.</p> <p>We are also concerned in relation to the comments on concession redirection with little take up. It may be that there is a lack of awareness among potential users which Royal Mail should be compelled to address. We recognise that they have gone some way to solve but this but believe that they could do more. There is little point to a scheme aimed at benefitting a certain section of consumers if they don't know about it.</p>
<p>Question 5.3: Do you have any further evidence on other issues raised in this section?</p>	<p>Confidential? – N</p> <p>As mentioned in 3.1 it is evident through research undertaken by the Citizens Advice Scotland that the quality of service achieved by Royal Mail is not consistent across Scotland. Certain areas suffer more than others. Whilst island communities pose very specific problems, large urban areas like Inverness are also adversely affected. It would be useful to understand these variations in service levels in order to identify the issues and solve them. This would be particularly useful in relation to the redirection service</p>
<p>Question 6.1: Do you agree with our assessment of the parcels market, namely that it is generally working well for consumers, but improvements are needed in relation to complaints handling and</p>	<p>Confidential? –N</p> <p>We are in general agreement that the parcels market can considered to be working for most consumers and welcome improvements in relation to complaints handling and meeting disabled consumers needs. The research from many consumer facing organisations reiterate the need for improvements</p>

meeting disabled consumers' needs? Please substantiate your response with reasons and evidence.

across the sector. Royal Mail ought to be leading the way in this area. It already has a strong communication brand with normally high service levels in delivering mail – it should be able to build on that and become a leading parcel delivery organisation, offering great customer service from the beginning to the end of the process.

As with any new regulation, monitoring of these changes is important to ensure that the outcomes desired are achieved. We look forward to seeing research and evidence of improvement once the changes have been implemented.

However we believe that there are specific Scottish issues that still need to be addressed in relation to parcel surcharging. There are still inconsistencies in relation to surcharging for delivery to certain parts of the country. We reiterate our belief that Ofcom has a contributing role to play in establishing a level playing field within this sector.

We also believe that Ofcom should support and recommend improved consumer choice within the parcels business. Online retailers should be made to be more transparent and explicit about the delivery company that they use and what surcharges a consumer may incur. A consumer can go through a lengthy online purchasing process only to find at the very end that there is a substantial surcharge due to their location. We would recommend that any surcharges are evident at multiple points in the purchase process.

We believe that remote and rural consumers (particularly those island based) will understand the need for some form of surcharge for parcel delivery, as long as it is seen as fair and made clear from the outset.

We also believe it would be useful for parcel companies to consider ways to improve reliability for those living at non-standard addresses or in rural areas. In these areas, postcodes are becoming confusing and not particularly valuable in relation to parcel delivery. In one village on the island of Arran, there are no street names and every house has the same postcode. The number of houses has grown immensely since postcode introduction and there are now approx 100 houses with the same postcode and therefore deliveries depend on local knowledge of house names. Service users could be enabled to provide alternative address data as well as their address and postcode (GPS data, WhatThreeWords) to enable delivery agents to find locations more easily.

Question 6.2: Do you agree with our assessment of the consumer issues in relation to

Confidential? – N

<p>complaints handling and our proposed guidance? Please substantiate your response with reasons and evidence.</p>	<p>Yes the guidance on complaints handling processes should set clear guidelines and expectations on what the customer experience should be. There is merit in asking for data to be supplied to Ofcom, from parcel carriers generally, to provide trends and demonstrate improvements in service levels.</p> <p>We welcome the Consumer Protection Condition which demands of the parcel carriers to establish, publish and comply with clear and effective policies and procedures for fair and appropriate treatment of disabled consumers</p>
<p>Question 6.3: Do you agree with our assessment of the issues faced by disabled consumers in relation to parcel services and our proposed new condition to better meet disabled consumers' needs? Please substantiate your response with reasons and evidence.</p>	<p>Confidential? – N</p> <p>Yes, see response to 6.1</p>
<p>Question 7.1: Do you agree with our proposal not to include tracking facilities within First and Second Class USO services? Please substantiate your response with reasons and evidence.</p>	<p>Confidential? –N</p> <p>We accept the evidence presented within the consultation that there is currently no consumer desire to include tracking facilities within First and Second Class USO services, particularly if this might come at a cost. Therefore at the moment there seems to be no obvious value in tracking these services. The general public have been used to variability of delivery timings during the day and don't often receive mail linking when it was sent from the sender. A good example of this is when Royal Mail stated last Christmas that the last posting date before Xmas was Saturday 18 Dec, a full four working days before Christmas Eve. The first class example being Tuesday 21 December</p> <p>We note the VAT exemption on the Royal mail service</p>
<p>Question 7.2 Do you have any further evidence or views on other issues relating to USO parcels regulation? Please substantiate your response with reasons and evidence.</p>	<p>Confidential? – N</p> <p>no</p>
<p>Question 8.1: Do you agree with our proposals on the scope of access regulation?</p>	<p>Confidential? –N</p>

<p>Please substantiate your response with reasons and evidence.</p>	<p>We are in agreement in that there is already significant parcel competition and that no additional intervention is appropriate</p>
<p>Question 8.2: Do you agree with our proposals on access price regulation? Please substantiate your response with reasons and evidence.</p>	<p>Confidential? –N</p> <p>We are in agreement with the proposals. However, in some geographies where eg Whistl do not have processing sites adjacent to the North East of England, North East of Scotland, the nearest Whistl processing site being in Bolton or Uddingston, there is no great incentive for Whistl to offer its services in these areas. This is then dependent on volume and means it is difficult for Whistl to overcome the cost of pick up and transportation to their own hubs.</p> <p>It is also noted the DHL in the UK appear to be gravitating to the super users of bulk mail such as banks and building societies.</p>
<p>Question 8.3: Do you agree with our approach and proposals for the non-price terms of access regulation? Please substantiate your response with reasons and evidence.</p>	<p>Confidential? N</p> <p>We are in agreement Ofcom’s approach and believe it is appropriate and that the non-price terms of access seems to be working. We recognise that Ofcom can intervene should Royal Mail be seen to be abusing its power and the existing USPA conditions may be used.</p>

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