

## Your response

Question	Your response
<p><b>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.</b></p>	<p>Confidential? – <b>No</b></p> <p>Scotland’s Citizens Advice Network is an essential community service that empowers people through our local bureaux and national services by providing free, confidential, and independent advice. We use people’s real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help, and we change lives for the better.</p> <p>Citizens Advice Scotland (CAS) has a responsibility to advocate of behalf of postal consumers in Scotland at both a local and national level. We welcome the opportunity to respond to this consultation on the review of future postal regulation. As the consumer advocate for Scottish postal consumers, CAS has considered how Ofcom’s regulatory proposals might impact Scottish consumers’ ability to consistently access affordable, high quality and fair postal services from both the universal service provider and private operators.</p> <p>Since the last regulatory review period we have seen significant shifts in the postal market. Scottish consumer behaviour has changed, most notably due to the pandemic accelerating increases in online shopping and therefore placing increased reliance on the parcel delivery market. Now is an opportune time to consider how the boom in parcel deliveries has impacted consumers and consider if current regulation is fit for purpose moving forward. We have been encouraged to see that Ofcom recognises that increases in competition have not necessarily led to better outcomes for some vulnerable consumers. In the parcels market, rural consumers in Scotland face additional affordability barriers due to geographic surcharging on deliveries.</p> <p>In recent years we have also seen the price of some Universal Service Obligation (USO) services rise faster than the average household income in the UK, and for this reason we believe</p>

	<p>that affordability is a key concern during the next regulatory period, especially in the light of current inflationary pressures on personal and household incomes. We will be addressing these specific issues and others in our response.</p> <p>We broadly agree with Ofcom’s proposed regulatory approach for the next five years, which is guided by three strategic aims to:</p> <ul style="list-style-type: none"> <li>• Ensure postal users have access to simple, affordable and reliable postal services that meet their needs;</li> <li>• Support a financially sustainable and efficient universal service; and</li> <li>• Support effective competition in postal services for the benefit of consumers.</li> </ul> <p>While CAS agrees with these strategic aims in principle, we remain concerned that the proposed regulatory regime set out in this consultation may not always deliver these outcomes for Scottish consumers.</p> <p>In our own work, CAS is guided by application of the 7 Consumer Principles<sup>1</sup> of access, choice, safety, information, fairness, representation, and redress. We would welcome Ofcom considering how the regulatory regime for postal services can better reflect these important principles.</p> <p>As things stand, we have concerns that the USO is not resulting in positive outcomes for consumers, in relation to both affordability and reliability of postal services.</p>
<p><b>Question 3.1: Do you agree with our proposed approach to sustainability of the universal service? Please substantiate your response with reasons and evidence.</b></p>	<p>Confidential? – <b>No</b></p> <p>CAS broadly agrees with Ofcom’s approach to allow Royal Mail considerable commercial flexibility to respond as needed to different market pressures. We are supportive of this strategy as a means to encourage investment, innovation, and competition. However, Ofcom must ensure that this innovation and competition delivers real benefits to consumers right across the UK.</p>

<sup>1</sup> [CAS \(2018\) Consumer Principles](#)

	<p>The long-term sustainability of the USO depends on Royal Mail’s ability to modernise and adapt to decreasing letter volumes and simultaneously increasing parcel volumes. There are significant financial benefits to be gained from addressing long-run efficiency challenges such as network transformation, maximising parcel capacity, and enhancing frontline productivity. CAS agrees that current targeted regulation to protect consumers must remain in place and any sustainability and efficiency measures taken by Royal Mail must not adversely impact on Quality of Service and affordability protections such as the safeguard price caps. We note Ofcom’s statement that: <i>“Royal Mail’s flexibility has only been constrained by safeguard regulations to maintain Quality of Service, ensure affordability and support competition<sup>2</sup>”</i>.</p> <p>While in principle this is true, CAS is concerned that in practice some consumers do not always receive a high Quality of Service, and some continue to struggle to afford postal services. These issues will be elaborated on later in our response. As Royal Mail continues to respond to market pressures and modernise its business, consumer protections must not be compromised.</p>
<p><b>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.</b></p>	<p>Confidential? – <b>No</b></p> <p>CAS agrees with Ofcom’s proposal to broadly maintain the current approach but with an additional requirement on Royal Mail to set and report against a five-year expectation. This will allow longer-term forecasts of Royal Mail’s business plans and provide more insight into how the sustainability of the USO will be maintained in the long run, as the postal market continues to change. We acknowledge that Ofcom has been concerned about the financial sustainability of the USO in recent years and sees this reporting requirement as a tool to better understand and scrutinise the likely sustainability of the universal service.</p> <p>We acknowledge and recognise that Royal Mail must attract and maintain investors in order to</p>

<sup>2</sup> [Ofcom \(2021\) Review of Postal Regulation](#) Section 3.25

	<p>fund innovation and achieve transformation and it is reasonable to distribute profits to shareholders once other needs of the business are met. CAS acknowledges that the pandemic presented a significant number of operational challenges for Royal Mail. However, we would question if it is reasonable for Royal Mail to distribute significant payments to shareholders at times when Quality of Service targets are not being met.</p>
<p><b>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.</b></p>	<p>Confidential? – <b>No</b></p> <p>CAS would support the imposition of a requirement on Royal Mail to publish their longer-term efficiency expectations. We are broadly supportive of the direction Royal Mail is taking to modernise their processes to gain efficiencies. Ofcom’s previous research demonstrates that modernisation by postal service providers in some European countries has delivered considerable benefits to consumers. As Royal Mail transforms to a parcels-led business, efficiency improvements will assist in securing the long-term sustainability of the USO. However, CAS believes it is essential for Royal Mail to improve efficiency performance without compromising Quality of Service and while protecting the affordability of postal services for consumers. CAS is of the view that the new monitoring and reporting requirements could further incentivise Royal Mail to prioritise efficiency gains throughout its business.</p>
<p><b>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.</b></p>	<p>Confidential? – <b>No</b></p> <p>CAS agrees with Ofcom’s decision to maintain the current regulatory safeguards in the USO. These measures are crucial to ensuring all consumers have access to fair and affordable postal services. In polling conducted by YouGov on behalf of CAS, we asked consumers and the senior decision makers of small to medium enterprises (SMEs) which features of the USO were most important to them. In relation to sending letters, both groups ranked delivery at a single rate to any UK address as the most important feature of the USO, with 87% of</p>

consumers<sup>3</sup> and 72% of SMEs saying this was important<sup>4</sup>.

While we support the current regulation in place to protect consumers, we are concerned that market pressures arising from historic levels of inflation and the ongoing impacts of the COVID-19 pandemic are negatively impacting the affordability of postal services for consumers. While these safeguard measures protect many consumers in the postal market, our research shows that some Scottish consumers still struggle to afford postal services. In addition, the impacts of COVID-19 on Royal Mail's operations and consequent low Quality of Service levels have had widespread impacts on consumers, resulting in inconvenience, missed appointments and delays in receiving sometimes vital information.

#### **Affordability**

It is essential for all consumers to have access to affordable communication services including postal services. Our research shows that 51% of Scottish consumers find postal services to be expensive, with a subset of 13% responding that services are "far too expensive"<sup>5</sup>. Similarly, 59% of SMEs said that postal services are expensive<sup>6</sup>. This polling was conducted in April and November of 2021, and we know that rising levels of inflation will place further future pressures on incomes for consumers across the UK in 2022. CAS has been monitoring the increasing cost of living crisis which has the potential to undermine the post-pandemic economic recovery efforts. Our research shows that 1 in 3 Scottish consumers are struggling to pay bills, with 1.4 million people in Scotland having run out money before pay day in the last year<sup>7</sup>. Half a million Scottish consumers are

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<sup>3</sup> [CAS \(2021\) Postal Services in Scotland](#)

<sup>4</sup> This polling data will be available on the CAS website in due course. Research was conducted by YouGov in November 2021 and reflects the experiences of 500 senior decision makers in small to medium enterprises (SMEs) in Scotland.

<sup>5</sup> [CAS \(2021\) Postal Services in Scotland](#)

<sup>6</sup> This polling data will be available on the CAS website in due course. Research was conducted by YouGov in November 2021 and reflects the experiences of 500 senior decision makers in small to medium enterprises (SMEs) in Scotland.

<sup>7</sup> [CAS \(2021\) Over 1.4 million people in Scotland ran out of money before payday in the last year](#)

having to cut back on food costs to pay bills and meet the rising cost of living<sup>8</sup>.

CAS is encouraged to see that the safeguard price caps are being maintained until March 2024, though post remains a significant cost for some consumers. We note that Ofcom's own assessment is that affordability conditions, especially for the most financially vulnerable, are not expected to have materially improved since the 2019 safeguard cap review.<sup>9</sup>

Furthermore, Ofcom's research shows that the cost of postage has increased at a higher rate than household incomes, most notably for financially vulnerable consumers.<sup>10</sup> It is important that the safeguard price caps are maintained for the next review period, especially against the backdrop of rising levels of inflation and rising cost of living for consumers across a number of sectors, which is impacting their ability to meet essential costs. Given the current pressures on household incomes, we would welcome Ofcom undertaking a further review of affordability alongside the review of safeguard caps, to ensure that postal services are affordable for all consumers.

#### **Quality of Service**

CAS agrees that the current Quality of Service standards should remain in place, though we are concerned that Royal Mail has regularly underperformed in achieving Quality of Service targets for the last two years. We understand the pandemic continues to present a significant challenge for Royal Mail and we agree that it was appropriate for Ofcom to introduce a regulatory emergency period where Royal Mail was not required to meet Quality of Service targets. However, since the end of the emergency period on 31 August 2021, Quality of Service levels for USO 1<sup>st</sup> Class and USO 2<sup>nd</sup> class services have still not been met (as of Quarter 3 2021/22)<sup>11</sup>.

<sup>8</sup> [CAS \(2022\) Scottish Budget: people still face cost of living crisis](#)

<sup>9</sup> [Ofcom \(2021\) Review of Postal Regulation](#) Section 5.31

<sup>10</sup> [Ofcom \(2021\) Review of Postal Regulation: Call for Inputs](#) Section: 5.14

<sup>11</sup> [Royal Mail \(2022\) Quarterly Quality of Service and Complaints Report](#)

In January 2022 an East of Scotland Citizens Advice Bureaux (CAB) reported a case showing the ongoing impacts of low Quality of Service. The CAB adviser commented: *The problem is unreliability of Royal Mail even for 1st Class post. There have recently been so many instances of delayed post that we are feeling uneasy at using Royal Mail for anything that is date sensitive.*

Extended postal delays are not simply inconvenient for consumers, they can result in detrimental impacts when consumers miss important documents such as NHS appointments, financial information, and communications from government agencies. We know that some vulnerable consumers are more reliant on postal services and are therefore more susceptible to the negative consequences of extended delivery delays.

For example, an East of Scotland CAB reported the experience of a vulnerable client who was negatively impacted by Royal Mail delivery delays: *A CAB advisor assisted a vulnerable client to fill out paperwork related to a Personal Independence Payment over the phone and the advisor then posted the form to the client on December 17<sup>th</sup> 2021. Due to Royal Mail delivery delays, it took 34 days for the form to reach the client, only 2 miles away from the CAB office. As a result, the client had to contact DWP several times to ensure there would not be an interruption to their financial support.*

Across Scotland we have seen a number of similar cases, where postal delays have required CAB advisers to intervene and seek extensions to DWP deadlines. In some cases, clients have been penalised because of delays and have had to seek mandatory reconsideration of adverse benefits decisions, causing delay, stress, and financial hardship.

This shows how low Quality of Service levels can have severe negative consequences for vulnerable consumers. Many clients who seek advice from CABs have inter-related issues. Postal delays add an additional challenge for clients as they can disrupt the communication of important information.

Polling from Citizens Advice over the Christmas period of 2021/22 shows that 25% of Scottish consumers experienced delivery delays from Royal Mail. Of these consumers, 53% went more than one week without receiving letters<sup>12</sup>. We believe that Ofcom should review its approach to the monitoring of performance over the Christmas period. Currently an exemption is applied over this period. However, we believe that consumers are more likely to use the postal service at this time of year and are therefore even more reliant on this service. CAS believes that the current exemption is not in the best interests of consumers and that some specified minimum level of service should be imposed by the regulator, even if some deviation from the standard year-round target is considered appropriate.

CAS urges Ofcom to take timely and effective action to address Royal Mail's continued low performance in terms of meeting Quality of Service targets. We understand that many industries across the economy are struggling with supply chains and staffing requirements. However, we consider that as we enter the second year of Royal Mail falling short of the Quality of Service targets required by the USO, additional steps must now be taken to ensure consumers are receiving the USO mandated services.

Additionally, we are concerned that some rural and remote Scottish consumers continue to receive a significantly lower Quality of Service than the rest of the UK. In this respect, we agree with Ofcom's proposal to maintain the system of postcode area targets, as this allows comparison of services between areas. This will be elaborated on in response to Question 5.3.

#### **Clarity for Consumers on Royal Mail Services**

Finally, CAS and other consumer advocacy bodies have discussed with Royal Mail the confusion that some consumers experience in understanding their current range of services. This point was also made by the Consumer

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<sup>12</sup> [Citizens Advice \(2021\) 165 million people hit by letter delays in January](#)



	<p>Council for Northern Ireland and the Ofcom Advisory Committee for Scotland in responses to <a href="#">Ofcom's Call for Inputs</a> published in March 2021. Ofcom's own assessment found that some consumers lack clarity around what specific services are, for example there is a lack of understanding of the difference between Special Delivery Guaranteed and Signed For.</p> <p>We believe consumers should be offered simplified information about what each service is, to allow them to determine which services best meet their needs. For example, this could see Royal Mail having a core services range based on size, weight, and value, then additional add-on features including tracking, insurance, delivery confirmation, etc. We would encourage Royal Mail to commit to taking action on this issue and to set out appropriate timelines in relation to any service range simplification or redesign process.</p>
<p><b>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.</b></p>	<p>Confidential? – <b>No</b></p> <p>Previous research conducted by YouGov on behalf of CAS found that the majority of consumers (61%) regard redirections as too expensive<sup>13</sup>. CAS was therefore encouraged to see the recent action Royal Mail has taken to improve the affordability of Redirection services for all consumers in receipt of Universal Credit. We appreciate the steps Ofcom has taken to encourage Royal Mail to make this service more affordable. While this is a positive step towards improving the affordability of Redirection services for more consumers, we note that Royal Mail's decision is not mandated by regulatory requirements. Although Royal Mail has improved concessionary rates on Redirections, the new rates are not protected by a safeguard price cap and therefore consumers do not have certainty that Redirection concessionary rates will remain the same in the coming years. Ofcom's research shows that the cost of Redirection services increased at a significantly higher rate than household incomes. From 2012/13 to 2020/21 Ofcom estimates "<i>The price of a 3-month package increased by</i></p>

<sup>13</sup> [CAS \(2021\) Postal Services in Scotland](#)

around 74%... over a similar time period, we estimate that real disposable incomes across all households in the UK increased by around 15%<sup>14</sup>. We urge Ofcom to consider formalising the new rates through a safeguard price cap so that there is greater certainty that these services will remain affordable for vulnerable consumers in the future. This is particularly important in the Redirections market, as Royal Mail have a monopoly on provision of this service, and competition cannot act as a brake on any price increases.

We appreciate that Ofcom and Royal Mail are most concerned about ensuring the most vulnerable consumers can afford Redirection services. Ofcom finds that a “3-month Redirection accounts for around 3.7% of monthly disposable income for households in the lowest income decile, but only around 0.3% for households in the highest income decile”<sup>15</sup>. Therefore, by extending the concessionary rates to all those in receipt of Universal Credit, households with the lowest monthly income will find this service more affordable. However, not all vulnerable consumers who may struggle to afford Redirections will qualify for the new concessionary rates. For example, the new rates are not available to those in receipt of Personal Independence Payment or Disability Living Allowance.

CAS is of the view that this definition of vulnerability underlying the new rates is too narrow and while it importantly includes the most financially vulnerable consumers who may be in receipt of Universal Credit, it may exclude other vulnerability characteristics. Vulnerability can take many forms; it can be transient, fluctuating, or permanent. It is important that regulatory regimes protect consumers who may be vulnerable in different ways or due to different circumstances. CAS notes that the Financial Conduct Authority (FCA) has stated that a vulnerable customer is someone who, due to their personal circumstances, is especially susceptible to harm. Research conducted by the FCA during

<sup>14</sup> [Ofcom \(2021\) Review of Postal Regulation](#) Section 5.39

<sup>15</sup> [Ofcom \(2021\) Review of Postal Regulation](#) Section 5.76

the pandemic demonstrated that 53% of the UK population had at least one characteristic of vulnerability<sup>16</sup>.

Our [Delivering for All](#) report on post exclusion shows that specific vulnerable Scottish consumer groups who are disproportionately negatively impacted by postal exclusion could benefit from more affordable Redirections services. Through engagement with local stakeholders, we learned that groups including survivors of domestic violence, people experiencing homelessness, the gypsy/traveller community and others are often excluded from accessing their post due to frequent change of address or lack of permanent address<sup>17</sup>. As a result, these consumers often miss important documents, have their post intercepted and are excluded from accessing services, such as opening a bank account. Redirection services poses a potential solution to the issues arising from post exclusion, but the concessionary rates introduced by Royal Mail do not extend to the circumstances of these vulnerable consumer groups who could also benefit from concessionary rates. We are encouraged to see that Royal Mail is engaging with the consumer advocacy bodies on these issues and is taking tangible steps to improve outcomes for vulnerable consumers. For example, Royal Mail has undertaken work with Hestia to understand how Redirection services can work better for survivors of domestic violence. CAS believes it is important to keep up this momentum going forward and engage directly with stakeholder and community groups who can shed light on the barriers that vulnerable consumers face in accessing postal services.

We would urge Ofcom to consider the needs of other vulnerable groups and to take further action to ensure that all consumers receive consistent and reliable access to post, regardless of their circumstances. We would also urge Ofcom to undertake regular monitoring of the take-up and the affordability of Royal Mail's revised concessionary rates for redirections and to take any further action

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<sup>16</sup> [Treating vulnerable consumers fairly | FCA](#)

<sup>17</sup> [CAS \(2021\) Delivering for All](#)

required on the basis of this information. We will elaborate on the importance of specifically addressing the needs of vulnerable consumers in Question 5.3.

Additionally, CAS is concerned that Redirection services are unaffordable to small businesses. Polling by YouGov on behalf of CAS asked senior decision makers of SMEs if they found Redirection services for businesses to be affordable and 82% responded that the services were expensive<sup>18</sup>. The majority of those polled (287 out of 500 respondents) owned a business where they were the sole employee. Additionally, 420 out of 500 SMEs were classified as microbusinesses<sup>19</sup>. Scotland has a thriving small business and microbusiness community. 98% of private businesses in Scotland have less than 50 employees, and SMEs account for 80% of private sector employment in our rural areas. They therefore make a huge contribution to the Scottish economy<sup>20</sup>. For many small businesses, it is imperative to keep costs affordable.

CAS does not think it is reasonable for Royal Mail to offer a single business rate for Redirection services. CAS would urge Ofcom to consider the introduction of a more tiered tariff for redirections, based on the size or nature of the business. For example, we would ask that consideration be given to lower rates for SMEs with less than 10 employees, charities, or social enterprises.

In summary, CAS believes that research from Ofcom and CAS shows that Redirection services still pose a significant cost for many low-income consumers who do not qualify for the current new concessionary rate. Given that Redirection services remain unaffordable for vulnerable consumers and many SMEs, CAS encourages Ofcom and Royal Mail to consider wider eligibility criteria for concessionary rates.

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<sup>18</sup> This polling data will be available on the CAS website in due course. Research was conducted by YouGov in November 2021 and reflects the experiences of 500 senior decision makers in small to medium enterprises (SMEs) in Scotland.

<sup>19</sup> A microbusiness has 10 employees or less, source: [Scottish Government \(2018\) Small Business Survey](#)

<sup>20</sup> [Scottish Government \(2020\) Businesses in Scotland](#)

**Question 5.3: Do you have any further evidence on other issues raised in this section?**

Confidential? – **Partial** – see page 1

#### **Service Updates**

As discussed in Question 5.1, the COVID-19 pandemic continues to impact Royal Mail's Quality of Service Targets. CAS and other consumer advocacy bodies have raised concerns with Royal Mail that the information available to consumers experiencing long-term delays on the [Service Update](#) webpage is limited in scope and sometimes does not reflect real time data. We understand Royal Mail has a system for identifying postcodes where consumers do not receive mail for three days or more. Through the Citizens Advice network of 59 Bureau across Scotland, we have been made aware of postcodes experiencing extended delays that have not appeared on Royal Mail's Service Update webpage. Additionally, for consumers whose postcodes are listed on the webpage, there is no further information about when delays will be resolved or steps that consumers can take in the interim to ease the impacts of post exclusion. We know that government agencies such as the Department for Work and Pensions (DWP) can end benefit payments to consumers who do not complete paperwork on time. If Royal Mail could communicate their postal delays in specific areas to relevant agencies this could be one specific way to prevent consumer detriment for financially vulnerable consumers arising from postal delays. Additionally, digitally excluded consumers, who are often more reliant on postal services, cannot access the Service Update webpage to learn of postal delays in their area.

CAS recommends that Ofcom work with Royal Mail to consider whether there are better communication methods for Service Updates that includes both online and offline measures to ensure all consumers have greater transparency over delivery delays. For example, communication around service delays could be directed to local elected representatives, community groups, or advice agencies, so that they can inform wider networks of any issues.

CAS also considers that more granular reporting of issues with deliveries on a more

detailed area basis, would allow consumers, advocacy bodies and elected representatives to develop a more accurate picture of the issues being experienced and their impact on consumers.

### **Rural Consumers**

We note that some rural areas in Scotland continue to have lower Quality of Service than other areas. Royal Mail is not regulated to deliver the same Quality of Service to island communities as the mainland UK, and the Quality of Service in these areas can be considerably lower than mainland UK. For example, the cumulative Quality of Service results for First Class Stamped and Metered PCA Delivered Performance in Q1, Q2 and Q3 of 2021/22 for postcodes HS and ZE was:

- HS = 24
- ZE = 40.2

Additionally, some postcode areas that receive a poorer Quality of Service cover land that includes islands but also the mainland. For example, the KW postcode includes the Orkney islands and also Caithness on the mainland. The cumulative Quality of Service result for Q1-Q3 for this postcode is 59.5<sup>21</sup>.

We understand Royal Mail has committed to exploring the feasibility of publishing its performance in the KW postcode into two parts, the mainland and Orkney islands. However, we are not aware of any timeline for when a decision will be confirmed. CAS urges Ofcom to consider implementing Quality of Service targets for island communities in the HS, ZE and KW postcodes. We understand that there are additional operational costs and logistics involved with serving these communities. However, the current lack of postcode area delivery targets for these areas is not sufficiently incentivising Royal Mail to improve Quality of Service and is causing detriment to these communities. For example, the Quality of Service result for the HS postcode was 15.8 in Q2. The Quality of Service outcomes for these communities must be improved if all consumers across the UK are to

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<sup>21</sup> [Royal Mail \(2022\) Quarterly Quality of Service and Complaints Report](#)

have access to an affordable and fair postal service. This is particularly important given that Scottish consumers and SMEs ranked delivery at a single rate to any UK address as the most important feature of the USO, with 87% of consumers and 72% of SMEs saying this was important<sup>22</sup>. CAS believes that our island and rural communities must not receive an inferior service under the terms of the USO.



### **Vulnerability Strategy**

A vulnerability strategy for postal services, setting out clear expectations for operators, could improve outcomes for consumers who are most reliant on post and most negatively impacted by post exclusion. As mentioned in Question 5.2, such a strategy could benefit consumers who struggle to afford some postal services. We note that Ofcom has created a comparable strategy for telecommunication consumers developed in 2020<sup>23</sup>. The strategy suggests measures that telecommunication providers can take to ensure they treat vulnerable consumers “fairly and give them the help, support and services they need”. Currently efforts to address the needs of vulnerable consumers in the postal market are happening on an ad hoc basis.

For example, we are supportive of Royal Mail’s service for rural vulnerable consumers, which allows postal workers to collect stamped letters on the doorstep. We agree with Ofcom that extending this service to urban consumers would be another positive step towards improving access for vulnerable consumers. USO postal operators often perform a unique role in the community, especially in relation to older or vulnerable consumers by checking on their welfare. For many isolated elderly residents, the postal worker may be the only person they reliably see each week.

A North of Scotland CAB highlighted an example of the importance of contact with postal workers for socially isolated clients: *The*

<sup>22</sup> [CAS \(2021\) Postal Services in Scotland](#)

<sup>23</sup> [Ofcom \(2020\) Treating Vulnerable Consumers Fairly](#)

	<p><i>Client has epilepsy, some learning difficulties and anxiety. She lives remotely and has been supported most of her life by her parents who are now too elderly to support her. She has been shielding unofficially since covid began and aside from her sister she only speaks to the postman and the people who work in the shop.</i></p> <p>There are innovative examples of such services being formalised by European postal services such as “Veiller sur mes parents” (Watch over my parents) by La Poste in France and a similar “Check-in” service is offered by An Post in Ireland. We would welcome Ofcom considering how services for vulnerable groups can be further improved across the UK through a more holistic approach.</p>
<p><b>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 meeting disabled consumers’ needs? Please substantiate your response with reasons and evidence.</b></p>	<p>Confidential? – <b>No</b></p> <p>CAS supports Ofcom’s recognition that all parcel operators should make improvements to better meet the needs of disabled consumers and improve complaints processes for all consumers. We will elaborate on the need for these improvements in Questions 6.2 and 6.3.</p> <p>Research conducted by YouGov on behalf of CAS shows that 1 in 3 Scottish consumers<sup>24</sup> or SMEs<sup>25</sup> has experienced an issue with parcel deliveries in the last year. In view of this, and the continued prevalence of parcel surcharging, we do not believe that the parcels market is currently working well for all Scottish consumers and further regulatory intervention may be required to address this.</p> <p>Parcel surcharging continues to disadvantage many Scottish consumers. Research conducted by YouGov on behalf of CAS shows that 1 in 5 Scottish consumers<sup>26</sup> and 1 in 4 SMEs<sup>27</sup> has been charged extra for parcel delivery in the B2C market based on their location. In</p>

<sup>24</sup> [CAS \(2021\) Postal Services in Scotland](#)

<sup>25</sup> This polling data will be available on the CAS website in due course. Research was conducted by YouGov in November 2021 and reflects the experiences of 500 senior decision makers in small to medium enterprises (SMEs) in Scotland.

<sup>26</sup> [CAS \(2021\) Postal Services in Scotland](#)

<sup>27</sup> This polling data will be available on the CAS website in due course. Research was conducted by YouGov in November 2021 and reflects the experiences of 500 senior decision makers in small to medium enterprises (SMEs) in Scotland.



addition, Ofcom found that in the C2X market, 21% of Scottish parcel senders had experienced a location surcharge for delivery in the last year<sup>28</sup>. This issue not only impacts on rural and remote communities, but also consumers in urban areas such as Inverness.

In 2020/21 CAS engaged with Scottish Government on its [Fairer Deliveries for All Action Plan](#). As part of this work, CAB across the Highlands and Islands gathered evidence on parcel surcharging in their local areas. One Highland resident responded by saying: *“I was frustrated that I was being penalised for where I live. I live in the Highland Capital which is well connected by road, rail, and air, and it seems unfair that some couriers charge more.”*

Surcharging costs are often significant enough to change consumer behaviour. Of those consumers who had been surcharged:

- 36% said they had been put off buying online altogether because of surcharging
- 40% said they were frequently put off buying this way, but not always
- Only 4% said they had never been put off because of surcharging<sup>29</sup>.

Our research shows that consumers who are charged extra often change their shopping behaviour by choosing a different retailer or going without the item rather than choosing to pay any surcharge.

Surcharging costs are meant to reflect the higher operational costs involved for parcel operators in remote and rural areas including lower volumes/drop density and higher transport costs. CAS is not satisfied that surcharging costs continue to represent the real costs involved in delivery to Scottish consumers given the significant changes in the parcel market over the past two years. As a result of the pandemic, online shopping usage has accelerated. This has resulted in an increase in demand for parcel operators and an increase in competition in the parcel market.

<sup>28</sup> [Ofcom \(2021\) Review of Postal Regulation](#) Section 6.193

<sup>29</sup> [CAS \(2021\) Postal Services in Scotland](#)

Ofcom's research shows that total parcel volumes increased by 47.8% in 2020-21, compared to an 8.0% increase in 2019-20<sup>30</sup>.

It is assumed that with more operators entering the market, greater competition will benefit all consumers and lead to prices decreasing or remaining stable. Additionally, with the boom in parcel volume across the market, we would also assume that individual operators would gain cost advantages through economies of scale with increasing drop density and greater use of out of home pick up points. However, despite the increase in parcel volumes and operators in the market, consumers in the Highlands and Islands have continued to be detrimentally impacted by surcharging costs during a time when the pandemic has limited alternatives to online shopping.

Testimony from our [Fairer Delivery Charges Campaign](#) reflects that surcharging practices appear to be slowly rising and feedback from Citizens Advice Bureau (CAB) indicates that some retailers have introduced restrictions on certain deliveries to, for example, the Caithness area, compared to a few years ago when they did not impose any restrictions.

CAS is concerned that the increase in competition and higher levels of market activity has not led to better outcomes for Scotland's rural consumers. This suggests that surcharging costs may not always reflect the real additional operating costs parcel operators face in servicing these communities. For example, some parcel operators apply a blanket surcharge rate for all Highlands and Islands postcodes. The pricing factors that underpin this calculation are unclear because some areas of the Highlands are serviced by well-connected road and rail infrastructure and are designated as urban areas while other areas are significantly more remote and challenging to regularly access. Through the Citizens Advice network in Scotland, we are aware of anecdotal evidence of surcharges frequently being more than the cost of the

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<sup>30</sup> [Ofcom \(2022\) Annual Monitoring Update for Postal Services](#) Section 4.13

	<p>item being delivered, or of being seemingly arbitrary in nature. For example, one consumer was quoted a flat £500 surcharge for the delivery of a greenhouse anywhere north of Grangemouth. As a minimum, retailers and parcel operators should provide consumers full transparency to understand the surcharging costs that are being applied.</p> <p>We understand that in the B2C market retailers ultimately make the decision to pass surcharging costs onto consumers and Ofcom does not have regulatory powers over retailers. However, if unfair surcharging practices persist, we would encourage Ofcom to explore cross-regulatory forums or additional parcels market regulation to address the issue. Additionally, we urge Ofcom to take further steps to monitor ongoing surcharging practices in the B2C and C2X markets and consider possible interventions to ensure fairness across parcel deliveries for all consumers.</p>
<p><b>Question 6.2: Do you agree with our assessment of the consumer issues in relation to complaints handling and our proposed guidance? Please substantiate your response with reasons and evidence.</b></p>	<p>Confidential? – <b>No</b></p> <p>CAS agrees that currently many parcel operators do not have complaints processes which can adequately resolve consumer complaints. We welcome Ofcom’s intention to ensure Royal Mail and other parcel operators in the C2X and B2C market segments design and implement complaints processes that provide clear and easily accessible complaints channels and resolve complaints in a fair, transparent, and effective way.</p> <p>Research conducted by YouGov on behalf of CAS shows that 1 in 3 Scottish consumers<sup>31</sup> or SMEs<sup>32</sup> has experienced an issue with parcel deliveries in the last year. The most common issues with parcel deliveries to consumers were:</p> <ul style="list-style-type: none"> <li>• Lost parcels (21%)</li> <li>• Parcels being delayed (17%)</li> <li>• Parcels delivered to the wrong place (13%)</li> </ul>

<sup>31</sup> [CAS \(2021\) Postal Services in Scotland](#)

<sup>32</sup> This polling data will be available on the CAS website in due course. Research was conducted by YouGov in November 2021 and reflects the experiences of 500 senior decision makers in small to medium enterprises (SMEs) in Scotland.

- Receiving cards to say parcel could not be delivered when someone was at home at the time (12%)

Polling indicated similar findings for the most common issues experienced by SMEs, with 42% of SMEs having an issue with inbound deliveries, although this figure dropped to 22% in relation to outbound deliveries to consumers<sup>33</sup>.

Of those consumers who experienced an issue with parcel delivery, only 34% made a formal complaint. SMEs were slightly more likely to make a formal complaint, with 42% lodging a complaint with the parcel operator<sup>34</sup>. When asked why they did not make a complaint, consumers said they:

- felt the matter would not be taken seriously (17%)
- were put off as they had complained before and nothing had happened (7%)
- unsure who to approach or how to complain (8%)<sup>35</sup>.

This research is consistent with Ofcom's findings that significant barriers discourage consumers from making complaints. Additionally, Ofcom found that consumer satisfaction with the outcome of complaints varies significantly depending on the parcel operator. For example, when asked if their complaint was handled fairly, the percentage of complainants agreeing ranged from 29% for one operator to 71% for another<sup>36</sup>. Similarly, our research found that 61% of those who did make a complaint said they were either quite or totally dissatisfied with the response received, compared to 21% who were either quite or totally satisfied<sup>37</sup>.

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<sup>35</sup> [CAS \(2021\) Postal Services in Scotland](#)

<sup>36</sup> [Ofcom \(2021\) Review of Postal Regulation](#) Section 6.105

<sup>37</sup> [CAS \(2021\) Postal Services in Scotland](#)

In July 2021 a CAB in the West of Scotland highlighted a case illustrating the impacts of poor complaints processes on clients: *The Client has hearing difficulties and struggles with phone calls and has complained to Royal Mail, via the bureau, about his mail being lost or undelivered. They received an email response from Royal Mail stating that they are aware of the problem but cannot shed any light upon why it is happening or see any reason why it would, client is unhappy with this response and wants to escalate. This has caused him unnecessary stress and worry.*

It is clear that changes are necessary to ensure that parcel operators handle consumer complaints in a fair and prompt manner. CAS agrees with Ofcom that complaints processes should offer clear and easily accessible complaints channels. All consumers should be able to easily understand where to make a complaint. Too often consumers must navigate through several website pages, or frustrating automated systems before finding the necessary resources to make a complaint.

It is important that consumers with different accessibility needs have access to multiple channels to voice complaints. For example, digitally excluded consumers should be able to make complaints offline and still receive a prompt and fair response from the parcel operator. Additionally, we agree that once a complaint has been made, the process must be fair, transparent, and effective. It must be clear to consumers what the process is, including transparency about timelines and expected outcomes. Systems should be in place to escalate complaints when a consumer has needed to contact the operator multiple times. We are also supportive of Ofcom's expectation that parcel operators should retain data and records to monitor how complaints are handled and track improvements or emerging issues.

While CAS welcomes the content of the new proposed guidance, we are critical of the decision to create new guidance rather than to impose further regulatory requirements in relation to complaints processes. We note that

	<p>Ofcom considers its existing Consumer Protection Condition 3.2, requiring parcel operators to have simple, transparent, and inexpensive complaints processes to be sufficient if applied effectively<sup>38</sup>. Given that Ofcom’s research has shown complaints processes are too often unsatisfactory, CAS is not convinced that new guidelines will ensure a higher Quality of Service for consumers when the current Consumer Protection Condition has failed to do so.</p> <p>CAS would urge Ofcom to implement rigorous monitoring of the compliance with this new guidance. However, we believe that for it to be truly effective, there need to be consequences, in the form of penalties or sanctions, for companies who do not comply. CAS encourages Ofcom to consider what regulatory levers might be needed to address widespread shortfalls in how parcel operators handle complaints and in their redress processes.</p>
<p><b>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.</b></p>	<p>Confidential? – <b>No</b></p> <p>CAS welcomes Ofcom’s proposal to establish a new Consumer Protection Condition requiring all parcel operators to establish, publish and comply with clear and effective policies and procedures for the fair and appropriate treatment of disabled consumers in the parcel markets. Ofcom states that at minimum, these policies should address:</p> <ul style="list-style-type: none"> <li>• “How disabled consumers can communicate their delivery needs to the parcel operator.</li> <li>• How relevant parcel operator employees should meet the needs of disabled consumers when delivering parcels<sup>39</sup>”.</li> </ul> <p>CAS agrees with the intention of this broad framework but recommends that Ofcom be more specific about how parcel operators can fulfil these goals. For example, all consumers should be able to leave specific delivery instructions that are upheld by parcel operators.</p>

<sup>38</sup> [Ofcom \(2021\) Review of Postal Regulation](#) Section 6.108

<sup>39</sup> [Ofcom \(2021\) Review of Postal Regulation](#) Section 6.160

	<p>We note that Ofcom will allow operators flexibility to design their own policies for improving outcomes for disabled consumers. CAS is concerned that this proposal does not incentivise operators to make substantial enough improvements. While there may be additional costs involved for parcel operators to implement policies under the new Consumer Protection Condition, we believe that disabled consumers should receive a fair service. We suggest Ofcom consider better ways to monitor outcomes for disabled consumers. If necessary, Ofcom should consider implementing more prescriptive measures for parcel operators to follow, together with effective sanctions for non-compliance with guidance. Improved information on service levels experienced by disabled or other vulnerable consumers could be achieved, for example, by adding further specific questions to the existing Postal Tracker.</p> <p>Furthermore, as outlined in Question 5.3 we encourage Ofcom to consider developing a vulnerable consumer strategy for postal consumers. Such a strategy, comparable to that for telecommunication consumers, would offer clear guidance and outline expectations for parcel operators as they design their own policies to improve outcomes for disabled consumers and vulnerable consumers more generally.</p>
<p><b>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.</b></p>	<p>Confidential? – <b>No</b></p> <p>CAS acknowledges that including tracking service in the USO will have an impact on competition in the parcels market. CAS is of the view that currently competition amongst operators offering tracking services is not delivering for consumers in the Highlands and Islands. Our research shows that the majority of consumers (60%) would like to see tracking included as standard in some of Royal Mail’s USO parcel services. 42% responded that tracking should be part of the standard service for all parcels, while 18% were in favour of tracking for high value items<sup>40</sup>. Similarly, 56% of SME senior decision makers thought tracking</p>

<sup>40</sup> [CAS \(2021\) Postal Services in Scotland](#)

should be included in some parcel services. 35% thought tracking should be standard in all USO parcel services and 20% responded that it should only be included for high value items<sup>41</sup>.

Ofcom's research shows that consumers in the C2X market can choose from several parcel operators offering tracked parcel services at competitive rates. However, Scotland's rural and remote residents often cannot take advantage of these services, as many parcel operators do not service all geographic areas. Furthermore, some of these parcel operators apply surcharging costs to deliveries both to and from some Scottish postcodes. Royal Mail remains the preferred and sometimes only available option for rural and remote consumers who face accessibility and affordability barriers in using alternative operators. 17% of Scotland's population is based in rural areas<sup>42</sup>. Furthermore, 37% of SMEs were based in rural areas<sup>43</sup>. This is a potentially large group of consumers who may have limited access to private parcel operators. CAS is concerned that competition amongst parcel operators offering tracking services is not benefitting rural consumers, including SMEs in Scotland.

Research conducted by YouGov on behalf of CAS found that:

- 64% of SMEs said recorded delivery of parcels was important
- 68% of SMEs said tracking parcels was important.

When asked if SMEs would be willing to pay more for services if parcel tracking became part of the standard Royal Mail parcel service:

- 46% responded yes, but only for high value (in money or importance) parcels
- 34% responded that they wouldn't be willing to pay more

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<sup>41</sup> This polling data will be available on the CAS website in due course. Research was conducted by YouGov in November 2021 and reflects the experiences of 500 senior decision makers in small to medium enterprises (SMEs) in Scotland.

<sup>42</sup> [Scottish Government \(2021\) Rural Scotland Key Facts](#)

<sup>43</sup> [Scottish Government \(2018\) Small Business Survey](#)



	<ul style="list-style-type: none"> <li>• 16% were willing to pay more for all parcels<sup>44</sup>.</li> </ul> <p>It is important that any changes to the USO do not negatively impact the affordability of services for consumers. While consumers are in favour of tracking, the majority do not want to pay more for this service. We know that consumers prioritise affordability of USO services over compulsory tracking. Additionally, we recognise that the inclusion of tracking services in the USO will impact competition in the parcel delivery market. It is important to appreciate that these impacts may not be the same across the UK, due to markets having differing characteristics across the nations. CAS believes that Ofcom must ensure that the USO meets the needs of all consumers across the UK for high-quality and affordable postal services.</p>
<p><b>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.</b></p>	<p>Confidential? – Y / N</p>
<p><b>Question 8.1: Do you agree with our proposals on the scope of access regulation? Please substantiate your response with reasons and evidence.</b></p>	<p>Confidential? – Y / N</p>
<p><b>Question 8.2: Do you agree with our proposals on access price regulation? Please substantiate your response with reasons and evidence.</b></p>	<p>Confidential? – Y / N</p>
<p><b>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.</b></p>	<p>Confidential? – Y / N</p>

Please complete this form in full and return to [postalreview@ofcom.org.uk](mailto:postalreview@ofcom.org.uk)

<sup>44</sup> This polling data will be available on the CAS website in due course. Research was conducted by YouGov in November 2021 and reflects the experiences of 500 senior decision makers in small to medium enterprises (SMEs) in Scotland.