



# Ofcom consultation: Review of Postal Regulation

THE CONSUMER COUNCIL RESPONSE

3 March 2022

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## 1. EXECUTIVE SUMMARY

We look forward to continuing to engage with Ofcom to ensure all Northern Ireland consumers, and small and micro businesses have access to simple, affordable and reliable postal services that meet their needs. We also welcome future discussions on how competition in the wider postal market can work better to address existing issues and deliver improved consumer outcomes in Northern Ireland.

### **Consumer outcomes in Northern Ireland**

Ofcom's regulatory approach for postal services must protect all Northern Ireland consumers, address existing detriment and prevent harm from developing over the next regulatory period. There must be equitable outcomes for consumers. To achieve these outcomes, Ofcom must take account of the Northern Ireland context. We recommend that Ofcom develops a more robust consumer outcome measuring matrix for Northern Ireland throughout the next regulatory period. This should be aligned to its regulatory objectives.

### **Consumer vulnerability strategy**

A consumer vulnerability strategy will allow for better monitoring and support quicker interventions to address issues that affect vulnerable consumers across the UK. We recommend that Ofcom develops a clear consumer vulnerability strategy for postal services for the next regulatory period to support its proposed new framework.

### **Affordability issues and the price safeguard cap**

The current regulatory safeguards, including the price safeguard cap are vital to protect the interests of consumers, especially the most vulnerable. These protections must continue. However, our recent research shows too many Northern Ireland consumers have affordability issues with the price of second class services that are subject to regulatory price control protections. We recommend that Ofcom carries out a detailed affordability study and brings forward its review of the price safeguard cap to address this issue. It must ensure this key protection is protecting all vulnerable consumers across Northern Ireland from affordability issues, and Ofcom should explore how it can be strengthened over the next regulatory period.

### **The Redirection Service and securing affordability**

Applying a price safeguard cap to the redirection service will future proof against affordability issues. However, in the absence of a safeguard cap protection, we recommend that Ofcom identifies the trigger points where regulatory intervention is required to protect all consumers from future affordability issues with the redirection service. This will speed up any future intervention. We also recommend that Ofcom monitors the take up of the concessionary redirection rates.

### **Quality of service**

Improving the quality of service performance consumers receive must be a priority for Ofcom. It should explore how it can improve performance throughout the year, including over the Christmas period, through adequate consumer protections.

### **The parcel market and surcharging**

The parcel market is not working well for Northern Ireland consumers. Issues around parcel surcharging persist. Northern Ireland consumers also face pricing related switching barriers in the C2X market. We recommend that Ofcom assesses the drivers of higher delivery prices affecting Northern Ireland consumers and what regulatory interventions might reduce the need for parcel surcharging. This approach is consistent with Ofcom's objective to support effective competition in the wider postal market for the benefit of consumers, but with targeted interventions to protect consumers where necessary.

**Complaint handling - improving transparency and accountability**

We support Ofcom's proposed complaint handling guidance. To strengthen performance in this area, we recommend that Ofcom requires operators to publish complaint data including the number of complaints received, types of issues experienced, consumer outcome measures and how operators will address root cause issues. This will improve transparency and accountability, reduce the root causes of consumer complaints and improve the consumer complaint handling experience.

**Protecting consumers with a disability**

We also support the new consumer protection condition to better protect those with a disability. Ofcom must proactively monitor and evaluate the effectiveness of this new condition. To ensure this is successfully followed by operators, we recommend that Ofcom provides guidance to operators on what they need to do so they comply with the new regulatory condition.

**Meeting evolving consumer needs and ensuring affordability**

Ensuring the universal postal service evolves to meet consumer needs, such as the growing need for tracking among Northern Ireland consumers is important. However, it is equally important that any evolution in universal postal products are underpinned by affordable prices. These prices must be affordable to all consumers throughout Northern Ireland including vulnerable consumers. We recommend that Ofcom carefully considers the costs and benefits of adding tracking to first and second class USO services for Northern Ireland consumers, thoroughly monitors this area and carries out ongoing assessments to ensure the universal postal service is evolving to benefit consumers, especially when competition is leading to poorer outcomes for consumers here.

**Future developments**

Ofcom must continue to engage with the UK Government, postal operators and consumer groups to advise on, and understand the implications of EU Exit and the NI Protocol for the postal market. It is essential for Ofcom to monitor, understand and assess this area including any potential future impact on the universal postal service.

## 2. ABOUT US

The Consumer Council was established in April 1985 as a non-departmental public body (NDPB) under the General Consumer Council (Northern Ireland) Order 1984 (The Order). We operate under the Department for the Economy (DfE) on behalf of the Northern Ireland Executive.

Our vision is to protect and empower consumers in Northern Ireland by ensuring the legislation and regulation for consumer protection works effectively for consumers here.

Our mission is to be the trusted go-to organisation for Northern Ireland consumers, working with governments and stakeholders to inform policy and decision making, using our research, insight and expertise to deliver positive outcomes for consumers.

We have statutory duties in relation to consumer affairs, energy, postal services, transport, water and sewerage, and food accessibility. These include responding to enquiries, investigating complaints, carrying out independent research, educating and empowering consumers, and advising government on matters relating to consumer affairs.

With regards to postal services, the Consumers, Estate Agents and Redress (CEAR) Act 2007 and the Office of Communication's regulatory conditions for Royal Mail, as the universal service provider, provides the Consumer Council with statutory responsibility for representing postal consumers in Northern Ireland.

Our work focuses on carrying out research, influencing policy, providing advice and information, and investigating complaints made by consumers in vulnerable circumstances, and gives us information gathering and investigation powers to help fulfil this statutory function. Our investigation powers also include issues relating to the number and location of post offices across Northern Ireland.

Our non-statutory functions educate and empower consumers against unfair or discriminatory practices in any market including financial services. We are also a designated super-complaints body under the Enterprise Act 2002 and the Financial Services and Markets Act 2013.

As an insight-led evidence based organisation, we:

- Provide consumers with expert advice and confidential guidance.
- Engage with government, regulators and consumer bodies to influence public policy.
- Empower consumers with the information and tools to build confidence and knowledge.
- Investigate and resolve consumer complaints under statutory and non-statutory functions.
- Undertake best practice research to identify and quantify emerging risks to consumers.
- Campaign for market reform as an advocate for consumer choice and protection.

We have responsibilities under the Rural Needs Act 2016 and Section 75 of the Northern Ireland Act 1998 to ensure government policies recognise consumer needs in rural areas, and promote equality of opportunity and good relations across a range of equality categories.

We represent and campaign on behalf of all Northern Ireland citizens, in particular those in vulnerable circumstances, and pay particular regard to consumers:

- who are disabled or have long term health conditions
- who are of pensionable age

- who are on low incomes
- who live in rural areas

We use a set of eight guiding principles developed by the United Nations to assess where the consumer interest lies, and develop and communicate our policies, interventions and support. These provide an agreed framework through which we approach regulatory and policy work.

**Figure 1: Consumer Principles**



The principles ensure we apply a consistent approach across our statutory and non-statutory functions, and in all our engagement with consumers and stakeholders.

They serve to protect consumers, setting out the minimum standards expected from markets when delivering products or services in Northern Ireland. They also frame our policy position and approach to resolving consumer disputes with industry, offering a straightforward checklist to analyse and validate outcomes, in particular among vulnerable groups.

The Consumer Council recommends that Ofcom adopts these eight principles to inform its decision making process before finalising its postal regulatory framework for 2022 to 2027. This will help Ofcom protect all consumers across the UK.

### 3. THE NORTHERN IRELAND CONSUMER CONTEXT

It is important for Ofcom to understand the Northern Ireland consumer context before it finalises its regulatory framework for postal services.

#### **Cost of living**

Consumers across Northern Ireland are facing significant challenges with the increased cost of living. Our recent research shows that a significant majority (81%) of consumers across Northern Ireland have concerns, and those with a disability are most likely to be worried (85%) about the cost of living<sup>1</sup>.

Additionally, our research offers insight into how consumers are currently coping with the cost of living. Nearly half (47%) say they are not managing well and more consumers with a disability say they are not managing well (52%)<sup>2</sup>.

#### **Income levels**

Consumers here already have the lowest levels of disposable income across the UK. For instance, consumers in Northern Ireland have on average less weekly discretionary income (£143), compared to the UK average (£246)<sup>3</sup>.

Alongside this, our research shows that Northern Ireland households in the lowest income quartiles rely more on benefits compared to the UK. For instance, 63% of UK household income is derived from benefits compared to 75% of household income in Northern Ireland<sup>4</sup>.

#### **Consumers with a disability**

We also have more consumers with a disability or that have a long term health condition compared to the UK. Northern Ireland has almost double the disability claimants (12.4%) compared to the UK (6.5%)<sup>5</sup>. Additionally, more consumers aged 16 to 64 have a long term illness (30.1%) compared to the UK (24.4%).

#### **Consumer vulnerability**

The Financial Conduct Authority's (FCA) Financial Lives Survey 2020 also shows that Northern Ireland consumers (54%) are more likely to have at least one characteristic of vulnerability compared to those in the rest of the UK (46%). Furthermore, this survey shows more than half (56%) of Northern Ireland consumers feel that keeping up with domestic bills and credit commitments is a burden, compared to the UK (48%)<sup>6</sup>.

#### **Internet access and digital exclusion**

Northern Ireland has the largest proportion of businesses and consumers unable to access a decent broadband service. This is a particular problem for rural areas in Northern Ireland with 17% unable to get access to a decent fixed broadband service (Figure 1). This means those affected are less able to switch away from letters to digital communications enabled by fixed broadband.

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<sup>1</sup> Social Market Research. Consumers' views on and experience of the postal service. February 2022.

<sup>2</sup> Social Market Research. Consumers' views on and experience of the postal service. February 2022.

<sup>3</sup> Centre for Economics and Business Research Ltd. ASDA Income tracker. March 2021.

<sup>4</sup> [PowerPoint Presentation \(consumercouncil.org.uk\)](https://www.consumercouncil.org.uk)

<sup>5</sup> Based on a percentage of population and using DLA and PIP data from <https://www.communities-ni.gov.uk/system/files/publications/communities/benefit-statistics-summary-may-2021.pdf> and <https://www.gov.uk/government/statistics/dwp-benefits-statistics-november-2021>

<sup>6</sup> <https://www.fca.org.uk/publication/research/financial-lives-survey-2020.pdf>

**Figure 1: Premises (business and residential) unable to receive decent broadband from a fixed line<sup>7</sup>**

Nation	Total	Rural	Urban
UK	2% (651,000)	9% (403,000)	1% (248,000)
England	2% (451,000)	7% (234,000)	1% (217,000)
Scotland	4% (100,000)	17% (87,000)	1% (13,000)
Wales	4% (55,000)	12% (43,000)	1% (11,000)
Northern Ireland	6% (45,000)	17% (39,000)	1% (6,000)

Source: Ofcom analysis of operator data.

Our research shows that almost one in four (24%) consumers in Northern Ireland say they have friends or relatives who do not access the internet at home<sup>8</sup>. Other research offers insight into those consumers in Northern Ireland that are more likely to be digitally excluded<sup>9</sup>. Overall, 87% of Northern Ireland consumers have access to the internet. However, there are some consumer groups that have a significantly smaller proportion with access to the internet. These include older consumers (55%), those with disabilities (74%) and those living in the most deprived areas (80%) of Northern Ireland.

These findings about internet access show that a significant proportion of Northern Ireland consumers, including those who are more vulnerable, are less able to switch from letter communications to digital alternatives.

### **Small and micro businesses**

It is also important to consider the business context. Our past research shows that the postal service plays a critical role for the day to day running of Northern Ireland businesses, especially those located in rural areas and that sell goods online<sup>10</sup>. Recent analysis by the Northern Ireland Statistics and Research Agency (NISRA) explains that the majority of businesses (89%) in Northern Ireland are micro-businesses with fewer than 10 employees and just over 2% of businesses had 50 or more employees<sup>11</sup>.

### **The importance of the regulatory framework**

Taking account of this evidence, the universal postal service and wider parcel market must fully meet the needs of consumers, and small and micro businesses across Northern Ireland in the challenging years ahead.

Ofcom must understand the Northern Ireland context. It must consider the wider impact of issues affecting consumers, and produce a regulatory framework which ensures consumer detriment is avoided and protections produce equitable outcomes for consumers across Northern Ireland.

<sup>7</sup> [https://www.ofcom.org.uk/data/assets/pdf\\_file/0023/229721/connected-nations-2021-northern-ireland.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0023/229721/connected-nations-2021-northern-ireland.pdf)

<sup>8</sup> Social Market Research. Digitalisation and Broadband. January 2022.

<sup>9</sup> NISRA Continuous Household Survey 2019/20.

<sup>10</sup> <https://www.consumerCouncil.org.uk/node/1085>

<sup>11</sup> [https://www.nisra.gov.uk/system/files/statistics/IDBR-Facts-and-Figures-Publication-2021\\_0.pdf](https://www.nisra.gov.uk/system/files/statistics/IDBR-Facts-and-Figures-Publication-2021_0.pdf)



## 4. RESPONSE TO CONSULTATION QUESTIONS

**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.**

Ofcom's regulatory approach for postal services must be fit for purpose and protect Northern Ireland consumers, and small and micro businesses over the next five years.

Ofcom's consultation identifies three key objectives of its regulatory framework. These are to:

- Ensure all postal users have access to simple, affordable and reliable postal services that meet their needs. This applies not only to universal service users but also wider postal users, including all users of parcels and letters services, and both senders and receivers.
- Support a financially sustainable and efficient universal postal service.
- Support effective competition in the wider postal market for the benefit of consumers, but with targeted interventions to protect consumers where necessary.

We are supportive of these objectives. But Ofcom must ensure all consumers in Northern Ireland benefit from Ofcom's approach to regulation with a specific focus on consumers in vulnerable circumstances, particularly given the evidence we have provided in section 3 of this response.

We agree with Ofcom that there is the need for swift intervention when issues are identified, especially when the postal service is viewed as unaffordable, unreliable and that competition is not working well at a UK or regional level.

Being able to intervene will be important over the next regulatory period taking account of the challenging economic conditions facing consumers. But prevention is better than seeking to address consumer harm once it has occurred. We encourage Ofcom to strengthen its protections, monitoring function and approach to intervention so consumer detriment is avoided.

A key test for Ofcom's future regulatory framework is that it must protect all consumers in all parts of the UK. This means all Northern Ireland consumers, and small and micro businesses must have access to simple, affordable and reliable postal services that meet their needs. It also means Ofcom must support the development of effective competition in the wider postal market for the benefit of Northern Ireland consumers, and apply targeted interventions to protect consumers when competition is not benefiting this part of the UK. We discuss this in more detail in response to Question 6.1.

Indicators that demonstrate the regulatory environment and competition is working for Northern Ireland consumers include easy consumer access to the services they need, they find postal prices are affordable especially those protected by the price safeguard cap, there is adequate choice in the market, and the existence of fair pricing practices.

Ofcom must also deliver its objectives for all consumers in Northern Ireland including those with a disability, older consumers, those on low incomes and those that live in rural areas. If these are not delivered, the regulatory approach has not worked in their interest. This must be avoided.

Throughout our response to Ofcom’s questions we provide evidence on Northern Ireland consumers’ views, attitudes towards and experience of the postal service. The purpose is to help Ofcom fulfil its obligations in a way which benefits all consumers in Northern Ireland.

### **Affordability issues**

In our response to Ofcom’s call for evidence, we highlighted our general concerns around affordability with 42% of Northern Ireland consumers saying the cost of postage was unaffordable<sup>12</sup>. Ofcom has not adequately addressed this issue and we remain worried.

Our recent research shows that too many Northern Ireland consumers currently have affordability issues with the price of second class services<sup>13</sup>. For instance:

- 27% have affordability issues with the current price of the standard second class letter service;
- 46% have affordability issues with the minimum cost of sending a second class small parcel at a post office; and
- 34% have affordability issues with the minimum online cost of sending a second class small parcel.

This needs Ofcom’s immediate attention especially considering these services are subject to regulatory oversight and price control protections. **We recommend that Ofcom carries out a detailed affordability study on the products protected by the price safeguard cap and brings forwards its review of the price safeguard cap. Ofcom must ensure this key protection is preventing consumer harm and protecting all vulnerable consumers across Northern Ireland.**

More widely, Ofcom must deliver a framework which works in the interest of consumers across Northern Ireland. **We recommend that Ofcom develops a more robust consumer outcomes measuring matrix for each nation of the UK.** This should be aligned to its regulatory objectives so it can track progress in each nation and Ofcom must report more thoroughly on its progress. We suggest this forms part of Ofcom’s annual monitoring updates.

Equally important, Ofcom will need to outline what remedial action it will take to address any issues affecting Northern Ireland consumers. As we highlight above, Ofcom must deliver on its objectives for consumers in Northern Ireland including those with a disability, older consumers, those on low incomes and those that live in rural areas.

We also repeat our recommendation in our response to the call for evidence, that **Ofcom must develop a clear consumer vulnerability strategy for postal services for the next regulatory period to support its proposed new framework**<sup>14</sup>. This strategy will allow for better monitoring and support quicker interventions to address issues that affect vulnerable consumers across the UK and those issues that have a specific negative regional impact.

The Consumer Council uses the following definition of vulnerability and we would encourage Ofcom to adopt this definition.

*“Vulnerability is caused when a consumer’s personal characteristics, social circumstances, or the behaviour of organisations places them at risk of harm or disadvantage. This may mean changes are needed to how information, goods and services are designed and provided to protect and safeguard the consumer interest.”*

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<sup>12</sup> [https://www.ofcom.org.uk/data/assets/pdf\\_file/0021/221763/consumer-council-ni.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0021/221763/consumer-council-ni.pdf)

<sup>13</sup> Social Market Research. Consumers’ views on and experience of the postal service. February 2022.

<sup>14</sup> [https://www.ofcom.org.uk/data/assets/pdf\\_file/0021/221763/consumer-council-ni.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0021/221763/consumer-council-ni.pdf)

It is also important to explain that the Consumer Council is working with the Utility Regulator in Northern Ireland to develop a consumer vulnerability strategy<sup>15</sup>. The Utility Regulator is responsible for regulating the electricity, gas, water and sewerage industries in Northern Ireland, promoting the short and long-term interests of consumers. We also understand that Ofcom has a similar strategy for the telecommunication market. These approaches underline the need for consumer vulnerability strategy for postal services.

Taking positive action in the areas highlighted above will help to make sure the regulatory approach is fit for purpose and that it will protect Northern Ireland consumers, and small and micro businesses over the next five years, especially those that rely on the universal postal service.

**Question 3.1: Do you agree with our proposed approach to sustainability of the universal service? Please substantiate your response with reasons and evidence.**

Maintaining the regulatory safeguards is vital to protect the interests of consumers especially the most vulnerable. These protections must be retained and strengthened.

We note Ofcom's view that Royal Mail could achieve savings through successfully addressing challenges such as network transformation and efficiency rather than removing regulatory consumer protection measures. This demonstrates that the focus should be on efficiency and all steps must be taken to avoid a reduction in any existing consumer protection measures.

The universal postal service is highly valued by consumers across Northern Ireland. Our recent research shows that the<sup>16</sup>:

- UK wide quality of service protections are essential, with the vast majority of Northern Ireland consumers highlighting the importance of items arriving quickly and on time (84%), and consumers here receiving the same level of service compared to other parts of the UK (82%);
- UK wide affordable price protection is crucial, with the vast majority of consumers across Northern Ireland identifying the importance of affordable letter prices (78%) and parcel prices (78%); and
- Uniform pricing protection is vital with over three quarters (77%) of consumers in Northern Ireland saying this is important.

In these circumstances, the long term sustainability of the universal postal service is important to consumers in Northern Ireland. Considering this, we acknowledge that Ofcom needs to provide Royal Mail with commercial flexibility so it can make a reasonable rate of return and respond quickly to changing market conditions, with a view to securing the long term sustainability of the universal postal service.

However, commercial flexibility must be adequately counterbalanced with robust regulations ensuring consumers receive a high level of service, and have access to a basic universal postal service that all consumers in Northern Ireland feel is affordable. The regulatory focus must be on

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<sup>15</sup> <https://www.consumerCouncil.org.uk/sites/default/files/2019-11/Utility%20Regulator%20call%20for%20evidence%20on%20vulnerability%20-%20November%202019%20-%20Consumer%20Council%20response.pdf>

<sup>16</sup> Social Market Research. Consumers' views on and experience of the postal service. February 2022.

efficiency and there must not be a reliance on increasing prices or any move to reduce consumer protections measures.

**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.**

**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.**

Ofcom is best placed to ensure there is adequate progress by Royal Mail in meeting Ofcom's efficiency expectations.

Consumers rely on Ofcom to make the right decisions that protect them from unnecessary price increases and reductions to the quality of service. We note Royal Mail's efficiency performance is a concern to Ofcom, and that it requires a transparent and simple way to track progress. It is clearly important for Ofcom to ensure progress is made in this area and where there is evidence of inadequate progress, Ofcom must intervene and take the appropriate corrective action.

Our recent research helps to underline why price increases would be detrimental to the universal postal service's long term sustainability<sup>17</sup>. Consumers in Northern Ireland have told us how they feel about the minimum cost of sending second class letters and second class small parcels. For instance:

- 48% say the cost of sending a second class letter is expensive;
- 46% say the minimum cost of sending a second class parcel using online postage is expensive; and
- 59% say the minimum cost of sending a second class parcel at a post office is expensive.

These findings indicate that future price increases would lead to Northern Ireland consumers moving away from the universal postal service and/or reducing their use of the service. Ofcom will also need to consider the evidence we provide showing a significant proportion of Northern Ireland consumers have concerns about the affordability of those products where Ofcom applies a safeguard cap.

Additionally, those consumers with no alternative digital communication platforms are at greater risk of paying prices they find too expensive or unaffordable. This is detrimental to consumers.

With this in mind, we agree with Ofcom that Royal Mail relying on price rises instead of improving its efficiency performance will weaken the sustainability of the universal postal service.

Service degradation is also an unviable option as it would undermine the financial sustainability and relevance of the universal postal service. Our recent research shows that items arriving safely and securely (86%), and quickly and on time (84%) are the top two areas of importance for Northern Ireland consumers using Royal Mail<sup>18</sup>. This clearly demonstrates the key role the regulatory quality of service protections plays to ensure the universal postal service meets consumers' needs. If the service does not meet their needs this could lead to a reduction in the use of the universal postal

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<sup>17</sup> Social Market Research. Consumers' views on and experience of the postal service. February 2022.

<sup>18</sup> Social Market Research. Consumers' views on and experience of the postal service. February 2022.

service. Or it could have a similar effect as price increases, as consumers would be getting a lower quality of service for the same price. This means price increases or reduced service standards are not in the consumer interest.

**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.**

We agree with Ofcom that consumers value affordability, uniform tariffs, and frequent and reliable deliveries. This means that there must be adequate regulatory consumer protections in all these areas. This approach must be supported by robust monitoring, and intervention when trends develop that show these protections are not achieving the desired outcomes for consumers.

### **Price and quality of service protections**

Indeed, our research demonstrates the importance of price related safeguards with<sup>19</sup>:

- 78% of Northern Ireland consumers saying affordable letter prices are important to them and only 8% saying this is not important;
- 78% of Northern Ireland consumers saying affordable parcel prices are important to them and only 6% saying this is not important; and
- 77% of Northern Ireland consumers saying uniform pricing across the UK is important compared to 7% saying this is not important.

Affordability is more important to consumers across Northern Ireland now compared to 2017. In our response to Ofcom's review of the price safeguard cap for second class standard letters, large letters and parcels up to 2kg, two thirds (68%) of Northern Ireland consumers said affordability was important<sup>20</sup>. In our recent study as highlighted above over three quarters say affordability is important.

Additionally, our research emphasises the importance of the quality of service protections that ensure frequent and reliable deliveries<sup>21</sup>. For instance:

- 86% highlight the importance of items arriving safely and securely. Only 4% say this is not important;
- 84% highlight the importance that items arrive quickly and on time. Only 5% say this is not important; and
- 82% say the same level of service compared to other parts of the UK is important. Only 6% say this is not important.

These findings help to support the need to maintain the current regulatory protections such as the safeguard cap and the quality of service targets.

### **Price safeguard cap and affordability**

We understand that Ofcom's 2019 decision on the scope and level of the safeguard caps will end in March 2024, and it does not propose to revisit that decision earlier than currently planned. The

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<sup>19</sup> Social Market Research. Consumers' views on and experience of the postal service. February 2022.

<sup>20</sup> <https://www.consumerCouncil.org.uk/sites/default/files/2018-11/Consultation%20Response%20to%20Safeguard%20Cap%20Review%20-%202004%20October%202018.pdf>

<sup>21</sup> Social Market Research. Consumers' views on and experience of the postal service. February 2022.

price cap for consumers represents the minimum standard of protection they should receive against price increases and it must ensure affordability.

However, we believe Ofcom should carry out a detailed affordability study to ensure those safeguarded products are accessible to all consumers enabled by affordable prices and revisit the safeguard cap sooner than it intends.

The current cost of living crisis is having a significant negative impact on consumers. There has been a significant change from 2019 when Ofcom reviewed the safeguard cap. Therefore it is important to ensure the universal postal service is affordable to all consumers across Northern Ireland at the start of the new regulatory period.

Our recent research provides evidence that a significant proportion of Northern Ireland consumers have affordability issues with the price of second class letters (28%), the minimum cost of sending a second class small parcel at a post office (46%) and the minimum cost of sending a second class small parcel when buying postage online (34%)<sup>22</sup>.

Additionally, rural consumers are much more likely to have affordability issues in these three areas compared to their urban counterparts. For instance, a greater proportion have affordability issues with the price of second class letters (29% of rural consumers compared to 27% of urban consumers), the minimum cost of sending a second class small parcel at a post office (50% of rural consumers compared to 44% of urban consumers), and the minimum cost of sending a second class small parcel when buying postage online (38% of rural consumers compared to 32% of urban consumers).

This reinforces the need to assess these affordability issues affecting consumers' use of the universal postal service now. We do appreciate Royal Mail's recent reductions to its online prices. This is a positive development but it is important to highlight that a significant proportion of Northern Ireland consumers still have affordability issues. Ofcom must also consider the effect on those who are not online and are unable to benefit from these price reductions.

In this context, there are affordability reasons for Ofcom to investigate the matter now to ensure the basic universal postal service is affordable to consumers in Northern Ireland. **The price safeguard cap must be maintained and strengthened over the next regulatory period.**

### **The Redirection Service**

We share Ofcom's concerns about the affordability of the Redirection Service. We welcome and note Ofcom's detailed research that shows some groups, particularly those on low incomes or who are financially vulnerable and/or more likely to be reliant on post, were disproportionately affected by affordability issues. It is vital this is addressed.

We recognise the steps Royal Mail has taken since 2017 and its most recent commitment on expanding the scope of its concessionary rates. However, vulnerable consumers were affected for a number years by affordability issues with the Redirection Service. This should have been avoided at the outset and it underlines the need for more robust regulatory monitoring and quicker intervention from Ofcom.

Taking account of this experience and the current cost of living crisis, Ofcom should apply a price safeguard cap to this service to avoid any future issues from developing over the next regulatory

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<sup>22</sup> Social Market Research. Consumers' views on and experience of the postal service. February 2022.

period. This will future proof against future affordability issues, and help to prevent consumer detriment and support the delivery of Ofcom's regulatory objectives, especially for those not able to avail of the concessionary rates.

If Ofcom decides not to apply a price safeguard cap to the Redirection Service, **we recommend that it carries out a thorough assessment to identify the trigger points where regulatory intervention is required to protect consumers.** This will support quicker identification of problems, underpin Ofcom's monitoring, allow for swift intervention and reduce consumer detriment.

It is also important for Ofcom to monitor the take up of the concessionary rates and when not satisfied this is adequate, it must explore the introduction of a price safeguard cap. We suggest Ofcom reports on this as part of its annual monitoring updates.

### **Quality of service targets**

As we highlight in response to Question 5.1, the quality of service targets are an important part of the regulatory framework. These standards complement the price safeguard cap and both are vital to protect consumers as they emphasise the need for affordable and uniform pricing across the UK, and that the level of service is also consistent across the UK. This means all consumers are treated in an equitable way for the price they pay.

We also note that Ofcom explains there would be limited cost savings by reducing quality of service levels which would help to materially address any future risk to the long term sustainability of the universal postal service. This means it is not in the consumer interest to remove or reduce the quality of service standards.

We agree that there should be no reductions to the First Class Post Code Area targets. It is also crucial that Royal Mail delivers a high quality of service across all areas of the UK especially in rural or other hard to reach areas.

If reductions to the quality of service were being considered, it is vital that these are directly linked to reduced consumer prices. But Ofcom would also need to ensure the universal postal service still meets consumer needs in terms of reduced quality of service targets.

It is important to highlight that the Consumer Council is concerned about the reduced quality of service consumers are currently experiencing. Citizens Advice research shows that 28% of Northern Ireland consumers have recently experienced delays in letter delivery or letters did not arrive<sup>23</sup>.

Improving performance must be a priority for Ofcom. This should also be complemented with a strategic review of the procedures in place for future emergency periods so improvements can be made to the consumer experience. This review should look at how to improve the quality of service so reduced performance is kept to a minimum length of time, how communication can be improved to increase consumer, and small and micro business awareness of the problems, and how consumers, and small and micro businesses can be better protected when things go wrong. Ofcom should investigate how it can intervene quicker to improve the quality of service.

We note that there is a suggestion that there should be no exemptions that allow for reduced service performance in peak times e.g. Christmas. We would ask Ofcom to review its approach to the exemption being applied over this period. Consumers, and small and micro business are more likely to use the postal service at this time of year and increase their spending on postal services, but they get a lower level of service. Many will be unaware of the exemption and its potential impact. Many

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<sup>23</sup> Citizens Advice UK wide research. January 2022.

Northern Ireland small and micro businesses also rely on Royal Mail at this time of the year, particularly those selling goods online<sup>24</sup>. This exemption is not in their interest.

In this context, we would request that Ofcom explores how it can improve this situation including through adequate consumer protections. For instance, this could be a lower regulatory quality of service target where the needs of consumers and Royal Mail are fairly balanced.

**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.**

Ofcom's assessment outlined in its consultation document does not adequately address or reflect the experience of consumers across Northern Ireland. The parcel market is not working well here compared to the majority of GB. We provide our insight below. It is vital that no issues are masked by a focus on UK analysis, and Ofcom's policy objectives are achieved for Northern Ireland consumers.

However, we do agree that complaint handling can be improved and the needs of those with a disability can be better met by the parcel industry. We discuss these aspects in answer to Question 6.2 and Question 6.3.

#### **Delivery related issues and surcharging**

Returning to our concerns about the parcel market not working well for consumers here, our recent research shows that Northern Ireland consumers still experience delivery related restrictions when they buy goods online<sup>25</sup>. For instance, over the last 12 months:

- 43% have been told by the online retailer that they do not deliver to Northern Ireland;
- 34% have experienced a delayed delivery due to living in Northern Ireland;
- 29% experienced the withdrawal of free delivery as they live in Northern Ireland;
- 27% say next day delivery was not available; and
- 25% had to pay a higher delivery price to get the item delivered.

While not comparable with previous research, it is important to highlight that these are longstanding issues and the situation has not been resolved for many Northern Ireland consumers.

To illustrate this, in a 2013 study Northern Ireland consumers experienced the same delivery restrictions, such as 24% experienced online retailers not delivering to Northern Ireland, 38% had free delivery withdrawn and 39% had to pay a higher delivery fee. Indeed, this indicates some issues have worsened, and while some appear to have improved, the issues still negatively affect too many consumers in Northern Ireland.

Further analysis of our recent research shows that consumers with a disability are more likely to experience<sup>26</sup>:

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<sup>24</sup> <https://www.consumerCouncil.org.uk/node/1085>

<sup>25</sup> Social Market Research. Consumers' views on and experience of the postal service. February 2022.

<sup>26</sup> Social Market Research. Consumers' views on and experience of the postal service. February 2022.



- do not deliver to Northern Ireland (49% of those with a disability compared to 40% without a disability);
- delay in delivery due to location (40% of those with a disability compared to 30% without a disability);
- withdrawal of free delivery as they live in Northern Ireland (36% of those with a disability compared to 25% without a disability);
- next day delivery not being available (30% of those with a disability compared to 25% without a disability); and
- paying a higher delivery price to get the item delivered (31% of those with a disability compared to 22% without a disability).

These findings are a significant concern.

There is also the impact of EU Exit and our research last year identified a number of emerging issues<sup>27</sup>. These include many consumers (68%) saying they experienced GB retailers no longer delivering to Northern Ireland, and a significant proportion of consumers (29%) saying they were asked to pay custom duties and handling fees for online goods bought from GB retailers. Similar issues were experienced when buying from EU retailers although to a lesser extent.

Additionally, Hermes withdrew its uniform pricing policy in the C2X<sup>28</sup> market for Northern Ireland and it applies a £2.40 surcharge for those that want to send parcels between Northern Ireland and others parts of the UK. Equally, GB consumers also have to pay a surcharge to send a parcel to Northern Ireland. This indicates competition in the parcel market is not working for Northern Ireland consumers.

Furthermore, Northern Ireland consumers face significant pricing related switching barriers as shown by Table 1 compared to Ofcom’s analysis in its consultation. The table shows competitors’ position in the C2X<sup>29</sup> market is not improving in the same way in Northern Ireland, and based on this we do share Ofcom’s view that competition will develop to benefit consumers here in the same way as it will benefit GB consumers.

**Table 1. Cheapest parcel prices to send between Northern Ireland and GB<sup>30</sup>**

Weight Step	Royal Mail – Second class	Hermes	DPD <sup>31</sup>	DHL	Yodel Direct
0-1kg	£3.20	£5.06	(GB to NI only £17.99)	£13.09	£2.79
1-2kg	£3.20	£6.80	(GB to NI only £17.99)	£13.09	£3.79

Ofcom must carry out a thorough review of how the parcel market is developing in Northern Ireland and how this is affecting consumers. It will need to explore what interventions it can take to improve

<sup>27</sup> <https://www.consumercouncil.org.uk/sites/default/files/2021-10/EU%20Exit%20Report%20-%202011%20October%202021%20-%20The%20NI%20Consumer%20Perspective%20-%20Upload%20Version.pdf>

<sup>28</sup> Consumer to business/consumer (C2X). Letters or parcels sent from a consumer to another entity, which could for example, be a business or another consumer.

<sup>29</sup> Consumer to business/consumer (C2X). Letters or parcels sent from a consumer to another entity, which could for example, be a business or another consumer.

<sup>30</sup> Operator websites accessed on 22 February 2022.

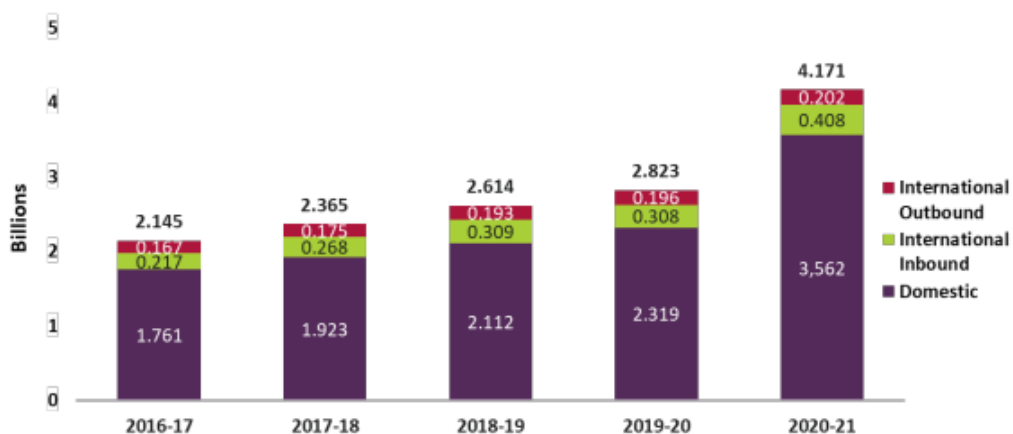
<sup>31</sup> Unable to obtain a price quote from Northern Ireland to GB.

the situation so consumers across Northern Ireland are not left behind by the unregulated parcel market.

In turn, this shows the fundamental importance of the universal postal service and why robust consumer protections must safeguard consumers across Northern Ireland in the absence of the benefits of competition. It reinforces the need for Ofcom to ensure all Northern Ireland postal users must have access to simple, affordable and reliable postal services that meet their needs. It should avoid overly relying on UK level analysis if this means there is a disproportionate negative effect on consumers in Northern Ireland.

**We recommend that Ofcom assesses the drivers of higher delivery prices affecting Northern Ireland consumers.** This must take account of the significant recent growth in the UK parcel markets which is reinforced by Ofcom’s market analysis (Figure 2)<sup>32</sup>.

**Figure 2: Parcel volumes**



We would ask that Ofcom establishes if more parcels are moving from GB to Northern Ireland, and if these higher volumes of parcels create opportunities for efficiencies which can be passed onto Northern Ireland consumers through reduced prices. The purpose is to understand the ability of operators to offset the need for surcharging to Northern Ireland.

We would also ask Ofcom to explore what regulatory interventions can reduce the need for parcel surcharging such as through access regulation. For instance, in line with our response to Ofcom’s call for input, **we recommend that Ofcom assesses if allowing parcel operators to access the Royal Mail parcel network would create an environment where efficiencies can be achieved at an industry level, which could reduce the level of surcharging or eliminate the need for surcharging to Northern Ireland.** This approach could be targeted to only those areas affected by surcharging, where competition is producing poorer consumer outcomes.

This is consistent with Ofcom’s objective to support effective competition in the wider postal market for the benefit of consumers, but with targeted interventions to protect consumers where necessary.

Another aspect we would ask Ofcom to investigate is around the methodology used by operators to surcharge through zonal pricing practices and whether this can be improved to reduce the need for surcharging. It appears that operators can use the BT post code area which represents Northern Ireland to apply higher delivery fees.

<sup>32</sup> [https://www.ofcom.org.uk/data/assets/pdf\\_file/0028/228970/Consultation-Review-of-postal-regulation.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0028/228970/Consultation-Review-of-postal-regulation.pdf)

We understand one factor which influences price is drop density<sup>33</sup>. Our research shows that most Northern Ireland consumers (97%) shop online requiring goods to be delivered to the door. Also, our recent research shows that 75% of consumers in Northern Ireland shop online at least on a monthly basis. Taking account of the population size of Northern Ireland, which is nearly 1.9 million, we would ask Ofcom to assess if there is scope to reduce surcharging through improved zonal pricing practices that better work in the interests of Northern Ireland consumers.

We need to stress that we are not advocating zonal pricing to parts of Northern Ireland. Instead, we require transparency to understand the fairness of these charges and to understand how the pricing practice differs from those pricing approaches used for parcels moving within the majority of GB.

### **Final mile delivery problems**

It is also important to highlight that in addition to delivery restrictions and surcharging, consumers here experience delivery related problems. Our recent research shows that for those receiving parcels<sup>34</sup>:

- 19% had the item left in an unsecure location;
- 17% had received a damaged parcel; and
- 14% say the parcel never arrived.

Taking account of the delivery related restrictions, pricing issues and final mile delivery problems we are unable to reach the same conclusion as Ofcom, that the parcel market is working well for consumers across Northern Ireland, but improvements are only needed in relation to complaints handling and meeting disabled consumers' needs.

**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.**

We agree with Ofcom that improvements to complaints handling are needed so consumers do not face any barriers when raising issues with operators in both the C2X<sup>35</sup> and B2C<sup>36</sup> parts of the market.

Ofcom's recent research has identified problems with the handling of complaints by parcel operators leading to consumer harm. We note that Ofcom found barriers to being able to make a complaint, complicated, unclear and slow complaint processes, and that outcomes of the complaint process were too often unsatisfactory for consumers. Now is the time for regulatory intervention.

Indeed, in December 2018 we published our report that reviewed complaint handling in the postal market<sup>37</sup>. As part of this study our desk based audits of operator websites identified difficulties with finding some operator complaint procedures, the level of transparency and issues with simplicity of the process.

<sup>33</sup> The overall volume of parcels being delivered to a specific geographical area.

<sup>34</sup> Social Market Research. Consumers' views on and experience of the postal service. February 2022.

<sup>35</sup> Consumer to business/consumer (C2X). Letters or parcels sent from a consumer to another entity, which could for example, be a business or another consumer.

<sup>36</sup> Letters or parcels sent from a business to a consumer.

<sup>37</sup> [https://www.consumerCouncil.org.uk/sites/default/files/2019-06/Stamp\\_Out\\_Complaints\\_June\\_2019.PDF](https://www.consumerCouncil.org.uk/sites/default/files/2019-06/Stamp_Out_Complaints_June_2019.PDF)

We made a number of recommendations which included for operators to review their complaint procedures. We played a critical role in developing a best practice guide in collaboration with Citizens Advice and Citizens Advice Scotland. We also suggested that Ofcom should provide guidance to operators on what they need to do so they comply with the regulatory condition for complaint handling.

In this context, we are supportive of Ofcom's proposed guidance. **We also agree that regulatory monitoring is required to deliver improvements and that remedial action will be required if the new guidance is not adhered to by operators. If this is ineffective Ofcom must explore strengthening the regulatory consumer protection conditions for complaint handling.**

Ofcom could more thoroughly monitor customer service and complaint handling performance through its postal tracker research. This will complement the information that operators will collect on complaints levels and customer satisfaction enabling greater regulatory oversight.

Overall we are encouraged by the scope and general direction of Ofcom's guidance. We would suggest that Ofcom ensures its proposals are in line with the best practice guide we published in December 2019<sup>38</sup>.

However, **we recommend that Ofcom requires operators to publish complaint data including the number of complaints received, types of issues experienced, consumer outcome measures and how operators will address root cause issues.** This will improve transparency and accountability, and most importantly reduce the root causes of consumer complaints and improve the consumer complaint journey.

This requirement can also go some way in helping to make sure parcels are treated safely and securely by all parcel operators as Ofcom has decided not to extend the scope of the mail integrity essential condition. However, we would ask Ofcom to reconsider its provisional decision not to extend this condition.

Our research helps to highlight the importance of items arriving safely and securely albeit related to Royal Mail along with letters<sup>39</sup>. A significant majority (86%) say this is important and it ranks as the most important consideration when sending items through the post.

### **Sending parcels**

Additionally, our research provides insight into the mail integrity issues when consumers send parcels. This shows that in the past 12 months:

- 11% saying the parcel was lost or did not arrive;
- 9% said the parcel arrived damaged; and
- 7% saying the parcel was left in an unsecure location at the recipient's address.

### **Receiving parcels**

Our research also identifies the nature and extent of the issues when consumers across Northern Ireland have received items over the past 12 months with:

- 19% saying the item was left in an unsecure location;

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<sup>38</sup> <https://www.consumerCouncil.org.uk/parcelcomplaintsguide>

<sup>39</sup> Social Market Research. Consumers' views on and experience of the postal service. February 2022.

- 17% saying they received a damaged parcel; and
- 14% saying the parcel never arrived.

Furthermore, 49% of those that had the item left in an unsecure location experienced this frequently. Also, 26% of those that received a damaged parcel experienced this frequently and 26% of those that had never received a parcel when they should have, experienced this frequently.

These findings underline the need for improved handling of parcels, and reinforce the need for greater transparency and accountability so the market reduces the number and frequency of these incidents. If Ofcom decides not to extend the mail integrity condition, we believe the publication of complaint data as we explain above can help address the issues consumers' experience.

**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.**

It is concerning that Ofcom research shows consumers with a disability experience more parcel related issues compared to those with no disability.

This needs to be addressed and we support the new consumer protection condition that will require operators to establish, publish and comply with clear and effective policies and procedures for the fair and appropriate treatment of disabled consumers, in relation to the collection, delivery and receipt of parcels in the UK.

Our research also shows that those consumers in Northern Ireland with a disability are significantly more likely to experience delivery related issues including:

- Delayed parcel delivery (41% of those with a disability compared to 35% without a disability);
- Parcels being lost (22% of those with a disability compared to 10% without a disability);
- Parcels arriving damaged (22% of those with a disability compared to 14% without a disability);
- Parcels being left in unsecure locations (25% of those with a disability compared to 17% without a disability); and
- Parcels being left in an inaccessible location (5% of those with a disability compared to 1% without a disability)<sup>40</sup>.

This reinforces the need for this new regulatory condition. It is equally important that Ofcom demonstrates how it will monitor and evaluate the effectiveness of this new condition. We believe Ofcom must proactively monitor this area rather than doing so on a reactive basis. This monitoring activity could form part of a consumer vulnerability strategy.

Like complaint handling, Ofcom should consider how to measure performance through its regular postal tracker research. Again, this will complement the information that operators will collect to assess the effectiveness of the policies and procedures, and consumer outcomes.

Lastly, we believe **Ofcom should provide guidance to operators on what they need to do so they comply with the new regulatory condition**. This will help create a common understanding of the desired expectations and improve outcomes for consumers with a disability.

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<sup>40</sup> Caution - Low base.

**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.**

The Consumer Council understands Ofcom will maintain the current restriction preventing Royal Mail from incorporating tracking facilities on first and second class USO services which will support emerging competition in the C2X segment of the market. Also, we understand Ofcom explains that its research shows high levels of user satisfaction with current USO services so there are limited benefits in doing so.

This is a challenging consideration for Ofcom. Competition should bring benefits to all consumers across the UK such as affordable prices, improved choice for consumers and better designed products.

Additionally, competition should create incentives for service providers to adopt new approaches and develop new concepts that meet consumers' needs, including addressing existing consumer problems. In this context, we do understand why Ofcom wants to support competition by not creating any unnecessary barriers for operators at a UK level.

However, Ofcom correctly identifies geographical accessibility issues and the presence of surcharges when sending parcels to, and/or from Northern Ireland and the Scottish Highlands & Islands. These are vital considerations for Ofcom as it concludes its assessment on the costs and benefits of allowing tracking facilities to be part of first and second class universal postal services.

We outline in our response to Question 6.1 the reasons why we believe the parcel market is not working as well for Northern Ireland consumers compared to the majority of their GB counterparts. Our recent research offers some additional insight relevant to the C2X market<sup>41</sup>. It shows that

- 37% of Northern Ireland consumers regularly send parcels on a monthly basis. This increases to 42% for those with a disability;
- 65% of Northern Ireland consumers send parcels to locations in GB; and
- 15% paid an additional postal charge because they were sending from Northern Ireland. This increases to 18% for those with a disability.

Again the existence of higher charges is likely to reduce choice for Northern Ireland consumers. Table 1 also shows that competition is not benefiting consumers here in the same way as it is in GB. The key reason is pricing barriers which reduce consumer access.

Another important consideration is Ofcom's aim to ensure postal users continue to have access to affordable and reliable postal services that meet their evolving needs. Our recent study shows that 78% of Northern Ireland consumers say that it is important they can track items until delivery when using Royal Mail. This indicates evolving needs among Northern Ireland consumers<sup>42</sup> and supports the findings from previous research which showed nearly nine in 10 (87%) of Northern Ireland consumers believe this should be a standard feature on parcel services and almost seven in 10 (68%) said it should be a standard feature for letter services<sup>43</sup>.

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<sup>41</sup> Social Market Research. Consumers' views on and experience of the postal service. February 2022.

<sup>42</sup> Social Market Research. Consumers' views on and experience of the postal service. February 2022.

<sup>43</sup> [https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0021/221763/consumer-council-ni.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0021/221763/consumer-council-ni.pdf)

However, our recent study also shows the same proportion say that it is important letter (78%) and parcel prices (78%) are affordable<sup>44</sup>. Further analysis identifies consumer concerns around the affordability of letter and parcel prices. It shows these areas are among the top areas of dissatisfaction for Northern Ireland consumers, with 29% saying they are dissatisfied with the affordability of parcel prices and 24% dissatisfied with the affordability of letter prices. This means adding tracking to the universal postal service must not create any affordability issues for Northern Ireland consumers and should not result in additional costs. The evidence we provide in Question 2.1 is also relevant. To recap:

- 28% of Northern Ireland consumers have affordability issues with the current price of the standard second class letter service;
- 46% of Northern Ireland consumers have affordability issues with the minimum cost of sending a second class small parcel at a post office; and
- 34% of Northern Ireland consumers have affordability issues with the minimum online cost of sending a second class small parcel.

In summary, when competition is not working in Northern Ireland, ensuring the universal postal service evolves to meet consumer needs is vital. It is equally important that the universal postal service is affordable in all parts of the UK and that no consumers in any region are left behind.

We appreciate the balance Ofcom needs to make but **we do recommend that it carefully considers the costs and benefits of adding tracking to first and second class USO services for Northern Ireland consumers, and continues to thoroughly monitor and carry out ongoing assessments to ensure the universal postal service is evolving to benefit consumers especially when competition is leading to poorer outcomes for consumers here.**

However, another fundamental test is that **any evolution in products must mean the service is affordable to all consumers throughout Northern Ireland.** Affordability is one of the overarching principles of the universal postal service and this must not be put at risk.

**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.**

We note that Ofcom will continue to engage with the UK Government, postal operators and consumer groups to advise on, and understand, the implications of EU Exit and the NI Protocol for the postal market. This engagement is crucial.

The Consumer Council has identified some emerging issues such as some online retailers deciding to no longer deliver to Northern Ireland. Our research in March 2021 showed over two thirds (68%) of consumers here experienced this with UK online retailers<sup>45</sup>. Consumer parcels were also mishandled leading to unexpected and incorrectly applied customs charges and operator handling fees.

While this is relevant to all parcels, it is important to highlight in the context of USO parcel services. It is essential for Ofcom to monitor, understand and assess future developments including any potential future impact on the universal postal service and how this might affect Northern Ireland consumers, and small and micro businesses.

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<sup>44</sup> Social Market Research. Consumers' views on and experience of the postal service. February 2022.

**Question 8.1: Do you agree with our proposals on the scope of access regulation? Please substantiate your response with reasons and evidence.**

**Question 8.2: Do you agree with our proposals on access price regulation? Please substantiate your response with reasons and evidence.**

**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**

We deal with these three questions together.

The Consumer Council recognises access operators are best placed to provide detailed responses to these questions. However, we trust that Ofcom will make the right regulatory decisions to prevent any access regulation issues negatively affecting consumers across Northern Ireland. All aspects of the postal market must contribute to good consumer outcomes and ensure the postal market works in the interest of all UK consumers.

One area we would like Ofcom to assess is, if regulatory interventions for access to Royal Mail's parcel network would create an environment where efficiencies can be achieved at an industry level which could reduce the level of surcharging or eliminate the need for parcel operator surcharging to Northern Ireland. Please refer to our answer to Question 6.1 for more details.



## 5. CONCLUSION

The Consumer Council is pleased to respond to Ofcom's consultation on its review of postal regulation. Ofcom's regulatory approach for postal services must be fit for purpose and protect Northern Ireland consumers, and small and micro businesses. This includes Northern Ireland consumers who are disabled or have long term health conditions, who are of pensionable age, those who are on low incomes and those who live in rural areas. Consumer detriment in Northern Ireland must be avoided and protections must produce equitable outcomes for consumers here.

The current regulatory safeguards are vital to protect the interests of consumers especially the most vulnerable. These protections must be retained and, where relevant, strengthened.

It is crucial that all Northern Ireland consumers, and small and micro businesses have access to simple, affordable and reliable postal services that meet their needs. Ofcom must support effective competition in the wider postal market for the benefit of Northern Ireland consumers, and when necessary apply targeted interventions to protect Northern Ireland consumers.

**We recommend that Ofcom develops a more robust consumer outcome measuring matrix for each nation of the UK throughout the next regulatory period.** This should be aligned to its regulatory objectives. We believe this will help to address consumer detriment in Northern Ireland and the other nations of the UK, and ensure that protections produce equitable outcomes across the UK. It will also act as an early warning system identifying where Ofcom needs to take targeted intervention when the competitive market is not working in the interest of Northern Ireland consumers.

**We recommend that Ofcom develops a clear consumer vulnerability strategy for postal services for the next regulatory period to support its proposed new framework.** This strategy will allow for better monitoring and support quicker interventions to address issues that affect vulnerable consumers across the UK.

**We recommend that Ofcom carries out a detailed affordability study and brings forward its review of the price safeguard cap.** Our recent research shows too many Northern Ireland consumers have affordability issues with the price of the second class service that is subject to regulatory oversight and price control protections. These findings indicate that future price increases would lead to Northern Ireland consumers moving away from the universal postal service and/or reducing their use of the service. The price cap represents the minimum standard of protection consumers should receive against price increases and to secure affordability.

In relation to the Redirection Service, introducing a price cap will help to avoid any future risks over the next regulatory period. However, in the absence of this protection, **we recommend that Ofcom carries out an assessment to identify the trigger points where regulatory intervention is required to protect consumers from future affordability issues with the Redirection Service.** This will speed up any future intervention. **We also recommend that Ofcom monitors the take up of the concessionary redirection rates** and when not satisfied this is adequate, it must explore alternative approaches including the introduction of a price safeguard cap.

Improving the quality of service performance related to the universal postal service must be a priority for Ofcom. We would also ask that Ofcom reviews its approach to the quality of service exemption over the Christmas period. Consumers, and small and micro business are more likely to use the postal service at this time of year. Ofcom should explore how it can improve this situation

including through adequate consumer protections. For instance, this could be a lower regulatory quality of service target for this time of year, where the needs of consumers and Royal Mail are fairly balanced.

The parcel market is not working well for Northern Ireland. The longstanding issues around delivery restrictions issues such as parcel surcharging persist. Our recent research shows that consumers with a disability are more likely to experience these issues and this is a significant concern. Northern Ireland consumers face significant pricing related switching barriers in the C2X market.

Ofcom must carry out a thorough review of how the parcel market is developing in Northern Ireland and how this is affecting consumers both as senders and receivers of parcel services. It will need to explore what interventions can improve the situation.

In this context, **we recommend that Ofcom evaluates the drivers of higher delivery prices affecting Northern Ireland consumers and what regulatory interventions might reduce the need for parcel surcharging** such as through access regulations. It is important to understand where efficiencies can be achieved at an industry level which could reduce the level of surcharging or eliminate the need for parcel operator surcharging to Northern Ireland. This approach is consistent with Ofcom's objective to support effective competition in the wider postal market for the benefit of consumers, but with targeted interventions to protect consumers where necessary.

Improvements to complaints handling are needed and we are supportive of Ofcom's proposed guidance. We recommend that Ofcom more thoroughly monitors customer service and complaint handling performance through its postal tracker research. Alongside this, **we recommend that Ofcom requires operators to publish complaint data including the number of complaints received, types of issues experienced, consumer outcome measures and how operators will address root cause issues**. This will improve transparency and accountability, and most importantly reduce the root causes of consumer complaints and improve the consumer complaint journey. If this is ineffective Ofcom must explore strengthening the regulatory consumer protection conditions for complaint handling.

It is a concern that Ofcom's research shows consumers with a disability experience more parcel related issues compared to those with no disability. Our recent research supports these findings. This situation needs addressed and we support the new Consumer Protection Condition, but it is equally important for Ofcom to proactively monitor and evaluate the effectiveness of this new condition. **We also recommend that Ofcom provides guidance to operators on what they need to do so they comply with the new regulatory condition.**

When competition is not working for Northern Ireland consumers it leads to barriers to consumer access. In these circumstances, ensuring the universal postal service evolves to meet consumer needs is vital such as the growing need for tracking. However, it is equally important that the universal postal service is affordable to all consumers. This means a fundamental test is that any evolution in products must still mean the service is affordable to all consumers throughout Northern Ireland. This includes vulnerable consumers. **We recommend that Ofcom carefully considers the costs and benefits of adding tracking to first and second class USO services for Northern Ireland consumers, thoroughly monitors this area and carries out ongoing assessments to ensure the universal postal service is evolving to benefit consumers.**

Ofcom must continue to engage with the UK Government, postal operators and consumer groups to advise on, and understand the implications of EU Exit and the NI Protocol for the postal market. It is essential for Ofcom to monitor, understand and assess this area including any potential future

impact on the universal postal service and how this might affect Northern Ireland consumers, and small and micro businesses.

We look forward to engaging with Ofcom on the issues we have highlighted in our response to ensure the regulatory framework protects all consumers across Northern Ireland.