



## **The Consumer Council for Northern Ireland's response to Ofcom's Review of Postal Regulation - Call for Inputs 2021**

**20 May 2021**

### **1. Introduction**

1.1 The Consumer Council is a non-departmental public body (NDPB) established through the General Consumer Council (Northern Ireland) Order 1984. Our principal statutory duty is to promote and safeguard the interests of consumers in Northern Ireland (NI).

1.2 The Consumer Council also has specific statutory duties in relation to energy, postal services<sup>1</sup>, transport, and water and sewerage. These include considering consumer complaints and enquiries, carrying out research and educating and informing consumers.

1.3 We pay particular attention to consumers:

- Who are disabled or chronically sick;
- Of pensionable age;
- With low incomes; and
- Who live in rural areas.

We refer to these groups as vulnerable consumers throughout this response

### **2. General Comments**

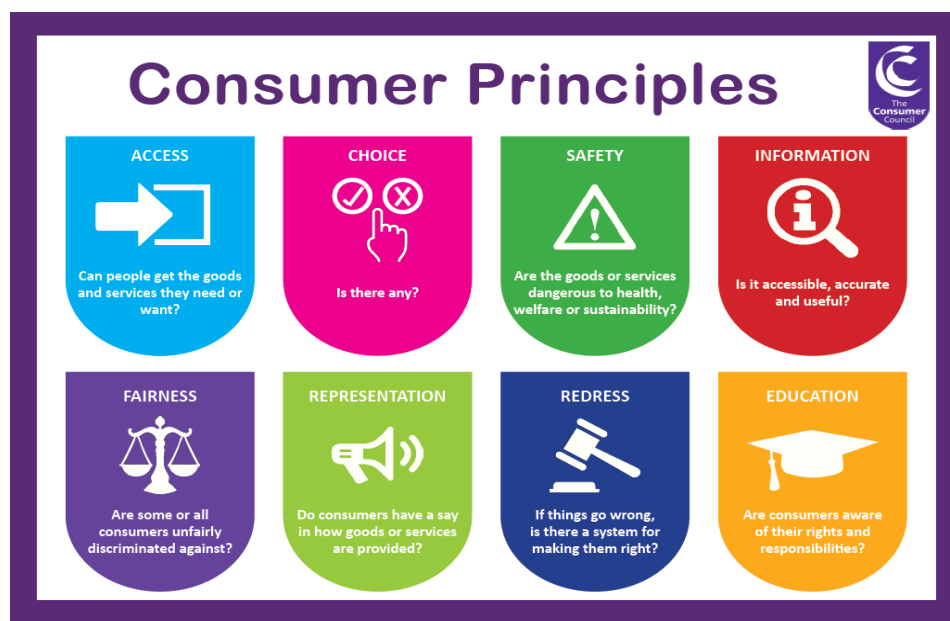
2.1 The Consumer Council is pleased to respond to Ofcom's call for input for its review of postal regulation.

2.2 We note that the purpose of the call for input is to help Ofcom to understand if the regulatory framework is relevant, fit for purpose and effective. The Consumer Council response focuses on helping Ofcom understand the issues facing NI consumers so it can ensure the regulatory framework is relevant, fit for purpose and effective for all consumers in NI.

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<sup>1</sup> <https://www.legislation.gov.uk/ukpga/2007/17/contents>

- 2.3 Ofcom’s final proposals must protect all consumers so that they have access to an affordable universal postal service. Additionally, this is an opportunity for Ofcom to protect consumers that are negatively affected by unregulated parcel services which are causing consumer detriment. One example is the detriment NI consumers experience through parcel surcharging<sup>2</sup>.
- 2.4 The Consumer Council uses eight consumer principles to set a consumer-focused framework within which we work. These eight principles are outlined below.



- 2.5 The Consumer Council recommends that Ofcom adopts these eight principles before it finalises its proposals. These principles will support Ofcom to develop a regulatory framework that is relevant, fit for purpose and ensures good outcomes for consumers.
- 2.6 Ofcom outlines the important context of today’s world with the impact of COVID-19. Ofcom must have a clear understanding about how the COVID-19 pandemic has affected consumers. Equally, Ofcom must understand how EU Exit has affected NI consumers and how this is likely to affect them throughout the next regulatory period. We provide some insight below.
- 2.7 The Consumer Council agrees with Ofcom that there is significant growth in e-commerce which is driving growth in the parcel market. Our research shows that NI consumers are shopping online more frequently now than before with 35% shopping online each week compared to 30% before the pandemic<sup>3</sup>. NI consumers are also spending more with online retailers for goods which require parcel deliveries, with NI consumers now

<sup>2</sup> [The Consumer Council. Packaged Deal – Retailers and Delivery Surcharges](#). 2018.

<sup>3</sup> Social Market Research. Impact of Brexit on Postal Deliveries. March 2021.

spending £140 in an average month compared to £100 before the pandemic<sup>4</sup>. This means NI consumers require parcel delivery services, in both C2X and B2C, which meet their needs in terms of price, quality of service, consumer protection measures and innovation.

- 2.8 However, it is important to recognise that COVID-19 has reduced NI consumers' household income with almost one in three (32%) seeing a reduction and it is unclear if or when this household income will recover<sup>5</sup>. It is also important to view this in the context that NI consumers already have the lowest levels of disposable income across the UK. For instance, consumers in NI have on average £118 of weekly discretionary income, compared to the UK average of £217<sup>6</sup>. The combination of a reduction of household income and the lowest level of disposable income of any UK region exacerbates the negative effect the existing issue about the affordability of universal postal services and the long standing issue of higher delivery charges have on NI consumers.
- 2.9 It is also important to highlight that NI consumers are facing significant postal related issues since the EU Exit on 1 January 2021. For instance, NI consumers have experienced GB retailers no longer delivering to NI (65%) and being charged (29%) import duties or postal operator handling fees when ordering goods online from EU retailers<sup>7</sup>. Additionally, The Consumer Council has been made aware of some GB retailers increasing delivery charges for parcel deliveries to NI. In this context, it is also important to note that a number of UK high street brands do not have a physical presence in NI and therefore the ability to shop online offers consumers here more choice and access to better deals which can save them money.
- 2.10 Ofcom must carefully and thoroughly understand how these major events will affect NI consumers and their access to the postal market. Ofcom's final proposals must ensure that appropriate regulatory measures in the postal market are in place to protect NI consumers both in the short and longer term.
- 2.11 It is important that Ofcom fully addresses the issues raised in the response below. We would ask Ofcom to provide sufficient evidence on how and why it reached certain decisions, and to detail how it assessed the impact on all NI consumers especially those that are vulnerable, when it publishes its regulatory proposals later in 2021.

### **3. Approach to regulation**

**Do you consider that Ofcom's overall regulatory approach remains appropriate for regulating postal services over the 5-year period (2022-2027)? If not, please explain the areas where you think changes should be made, with supporting evidence.**

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<sup>4</sup> Social Market Research. Impact of Brexit on Postal Deliveries. March 2021.

<sup>5</sup> YouGov. Consumer insight Survey 2021. March 2021.

<sup>6</sup> Centre for Economics and Business Research Ltd. ASDA Income tracker. October 2020.

<sup>7</sup> Social Market Research. Impact of Brexit on Postal Deliveries. March 2021.

- 3.1 The Consumer Council believes that reviewing the regulatory framework at five year intervals is appropriate, but this approach must be supported with ongoing monitoring and regulatory interventions when the market is not working for NI consumers.
- 3.2 The monitoring regime is vital. This regime must include monitoring the quality of service standards, consumer protection measures, the financial sustainability and efficient delivery of the universal postal service. Ofcom must intervene when consumers are being negatively affected by poor service quality.
- 3.3 It is important that consumers in NI, especially more vulnerable consumers are adequately protected through the continuation and improvement of the existing key safeguards around affordability, competition, monitoring and quality of service.
- 3.4 The affordability safeguard through the price cap must be maintained as the minimum level of protection for consumers. This must cover second class letters, large letters and parcels. However, we would ask Ofcom to review the current safeguard cap with a view to better protect consumers so all consumers feel the universal postal service is affordable. We outline the reasons below.
- 3.5 The current cost of sending a second class standard letter is currently 66p and sending a small parcel is £3.00. The Consumer Council provided evidence in its response to the review of the price safeguard cap that consumers with a disability say at 63p the standard second class letter service would be too expensive for them to use and at £2.85 sending small parcels would be too expensive. We also explained that those consumers not online have the lowest tipping point (£2.83) for sending small parcels and the second lowest tolerance for price increases to second class stamps (67p)<sup>8</sup>. We are concerned that the parcel and letters prices have moved beyond this for those in NI with a disability and for other consumers that are not online, letters are close to a tipping point. It is also important to note that these consumers are more reliant on the postal service<sup>9</sup>.
- 3.6 Furthermore, recent research shows that over half (52%) of NI consumers feel the cost of buying postage is affordable whereas a significant proportion of NI consumers (42%) say the cost of buying postage is unaffordable<sup>10</sup>. The significant proportion that feel postage is unaffordable is a major concern.
- 3.7 In this context, we would ask Ofcom to investigate how the price cap can be designed for the next regulatory framework to better protect consumers in NI especially those that are more vulnerable (Paragraph 3.5).
- 3.8 Competition in the C2X parcel market is not benefiting consumers in NI in the way it is benefiting consumers living in other parts of the UK. Consumers in NI have less access to competition which reduces consumer choice<sup>11</sup>. There are two key considerations for Ofcom which we discuss below.
- 3.9 Firstly, Royal Mail is still a near monopolist provider in the provision of single piece letters, large letters and parcels for NI consumers<sup>12</sup>. There is no competition in the letter market so

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<sup>8</sup> [The Consumer Council response to the Price Safeguard Cap. October 2018.](#)

<sup>9</sup> [The Consumer Council. Experiences and attitudes of vulnerable consumers and businesses. August 2017.](#)

<sup>10</sup> Opinium Research. Consumer Experience of UPS - Northern Ireland. February and March 2021.

<sup>11</sup> [The Consumer Council. Experiences and attitudes of vulnerable consumers and businesses. August 2017.](#)

<sup>12</sup> [The Consumer Council. Experiences and attitudes of vulnerable consumers and businesses. August 2017.](#)

NI consumers rely on Royal Mail. Additionally, Ofcom's recent research shows that nearly all NI consumers (96%) use Royal Mail to send parcels<sup>13</sup>. The next most used operator is Hermes with nearly one in five (19%) NI consumers using Hermes. There is a significant difference in the proportion using these operators and the gap is likely to get wider with fewer consumers using Hermes over the next regulatory period. We explain in more detail below.

- 3.10 The second is the ability of unregulated operators to make significant pricing policy changes to parcel products which reduces consumer choice, competition and makes it too expensive for NI consumers to send parcels. For instance, Hermes has withdrawn its uniform pricing policy in the C2X market in NI and it now applies a £2.40 surcharge for those that want to send parcels between NI to others parts of the UK. Equally, GB consumers also have to pay a surcharge to send a parcels to NI. This shows competition in the parcel market is not working for NI consumers.
- 3.11 This development reduces choice for NI consumers and makes them increasingly reliant on the universal postal service. Additionally, there is an increased risk that consumers here may be asked to pay the surcharge from GB to NI if marketplace sellers decide to use Hermes. This is likely to exacerbate the long standing issue of parcel surcharging.
- 3.12 Taking account of these two key areas, Ofcom should investigate how it can support the development of competition in the parcel market in a way that reduces the need for parcel surcharging. The regulatory framework must also produce affordable universal letter and parcel prices. We discuss this in detail below (Paragraph 5.4).
- 3.13 The future regulatory framework in the postal market must create equitable consumer outcomes across all the nations of the UK and ensure it protects vulnerable consumers at a UK level. It is equally important that vulnerable consumers are protected throughout the various nations that make up the UK.
- 3.14 To do this Ofcom must undertake a detailed and strategic analysis of how the existing regulatory framework has benefited or disadvantaged consumers across all nations of the UK and especially those vulnerable consumers living within the different nations. We suggest that Ofcom addresses this when it is ready to publish its final proposals.
- 3.15 The Consumer Council also recommends that Ofcom develops a clear consumer vulnerability strategy for the next regulatory period to support its proposed new framework. This dedicated strategy will help Ofcom assess if its regulatory framework is working in a way that balances the needs of vulnerable consumers and the industry. It will allow for better monitoring and support quicker interventions when issues that affect vulnerable consumers are identified.

#### **4. Financial sustainability and efficiency**

**Do you consider that Ofcom's current approach to financial sustainability and efficiency of the universal postal service will remain appropriate going forward? If not, please explain what changes you think should be made, with supporting evidence.**

- 4.1 The Consumer Council believes Royal Mail must deliver an efficient universal postal service to consumers in a way which does not mean there is a reduction in the quality of service,

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<sup>13</sup> Ofcom. Residential Postal Tracker. February 2021.

consumers' experience and/or that it relies on increasing consumer prices instead of achieving efficiency gains.

- 4.2 We have already highlighted the reasons why increasing prices is not the solution (Paragraphs 3.5 and 3.6). In summary, higher prices are negatively affecting vulnerable NI consumers, for instance, those with a disability. The Consumer Council is also concerned more generally about the affordability of prices. This means the focus must be on achieving adequate efficiency gains.
- 4.3 The Consumer Council notes that Ofcom explains efficiency improvements are behind schedule and that this is essential to the longer-term financial sustainability of the universal service. We trust that Ofcom will take the necessary action to protect consumers from paying for this through increased prices and/or a reduction in the quality of service. Ofcom must ensure there are adequate consumer protection mechanisms in these areas.

## 5. Universal service obligations

**Do you consider Ofcom's approach to the safeguard cap and ensuring affordability will remain appropriate going forward? If not, please explain what changes you think should be made, with supporting evidence.**

- 5.1 The safeguard cap principle remains appropriate and is the minimum price protection that consumers must receive as part of the universal postal service.
- 5.2 Ofcom explains the purpose of its safeguard cap is to provide consumers and small business with access to a basic, affordable universal postal service and to protect vulnerable consumers. The Consumer Council agrees with the role of the price safeguard cap. This must continue throughout the next regulatory period.
- 5.3 However, The Consumer Council would ask that Ofcom keeps but reviews the safeguard cap, in order to develop it to better protect all consumers so they can have access to an affordable universal postal service.
- 5.4 We suggest that the review covers the level and scope of the safeguard cap including taking action to:
- **Ensure letters services are affordable to all consumers is NI including those who are disabled or chronically sick; older consumers; low income consumers and those that live in rural areas.** As discussed above (Paragraph 3.5) The Consumer Council provided evidence in its response to the review of the price safeguard cap that consumers with a disability say at 63p the standard second class letter service would be too expensive for them to use, and those consumers not online had the second lowest tolerance for price increases to second class stamps (67p)<sup>14</sup>.
  - **Reduce the level of the price cap for second class 2kg parcel products.** In The Consumer Council response to the review of the price safeguard cap for second class standard letters, large letters and parcels up to 2kg, we raised concerns about the potential

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<sup>14</sup> [The Consumer Council response to the Price Safeguard Cap. October 2018.](#)

negative effect of the headroom in the basket cap for large letters and parcels on consumers<sup>15</sup>. We would again ask Ofcom to investigate how it can address this matter.

- **Investigate if an increase to the 2kg parcel threshold limit to cover larger item is now required.** With recent developments around the introduction of a surcharge for parcels moving between NI and GB by Hermes, consumers will have less choice. NI consumers have long experienced surcharging and this approach creates significant barriers for NI consumers both as senders and receivers of parcels. It is imperative that Ofcom takes account of this development and examines if the threshold should now be increased so consumers are protected from increasing prices when sending or receiving larger parcels with Royal Mail.
- **Ensure the redirection service for consumers is affordable.** The Consumer Council notes that the price of the redirection service has increased significantly. For instance, Ofcom explains that consumer prices for a 3-month and 6-month redirection have increased by approximately 62% and 45%<sup>16</sup>. We also understand that Ofcom's research shows that 22% of consumers say the service is too expensive<sup>17</sup> and that it puts more vulnerable consumers at risk, including those on lower incomes and moving rented accommodation.
- **Ensure the business redirection service is affordable.** The Consumer Council notes Ofcom's research that 14% of SMEs consider a redirection too expensive and small businesses were more likely to consider the pricing of redirections as prohibitive. Ofcom must address this matter by better protecting SMEs. Additionally, Ofcom will be aware The Consumer Council raised issues about the cost of Royal Mail's business redirection and diversion services during the lockdown, which represented a significant cost for businesses.

5.5 The Consumer Council looks forward to Ofcom assessing the areas identified above and detailing how it proposes to protect consumers in the next regulatory period from price increases which are already resulting in affordability issues, or are likely to in the near future.

**Do you consider Ofcom's approach to the regulation of residential and business redirection services will remain appropriate going forward? If not, please explain what changes you think should be made, with supporting evidence.**

5.6 The Consumer Council would ask that Ofcom considers adding the redirection service to the products protected by the safeguard cap.

5.7 The Consumer Council agrees that the redirection service is an important part of the USO. We would like to highlight that:

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<sup>15</sup> [The Consumer Council response to the Price Safeguard Cap. October 2018.](#)

<sup>16</sup> [Ofcom. Call for Inputs – Review of Postal Regulation. March 2021.](#)

<sup>17</sup> [Ofcom. Call for Inputs – Review of Postal Regulation. March 2021.](#)

- Ofcom has shown that there have been significant increases to the price of this universal postal service<sup>18</sup>;
- Increasing redirection prices presents a greater risk of pricing detriment which will affect more vulnerable consumers, leading to affordability issues;
- There is no consumer choice as Royal Mail is the only provider of this service;
- Ofcom’s research also shows that 22% of consumers say the redirection service is too expensive; and
- Ofcom’s research shows that 14% of businesses say the redirection service is too expensive.

5.8 Taking account of these points, we recommend that Ofcom regulates the price of the redirection service for both consumers and small businesses. One way to achieve this is to add the redirection service to the safeguard cap mechanism.

**Do you consider Ofcom’s approach to regulating quality of service for key USO services remains appropriate going forward? If not, please explain what changes you think should be made, with supporting evidence.**

5.9 It is vital that Ofcom regulates the quality of service over the next regulatory period. Prices for many universal postal service products have increased significantly over a number of years<sup>19</sup>. With consumers paying more, they must be protected at a regulatory level to ensure they receive a high level of service.

5.10 The regulatory framework for the next period must ensure this is maintained, and that Royal Mail achieves its regulatory performance targets and that it publishes this information. This includes retaining regulatory quality of service targets for Post Code Areas. Any proposed reduction or removal would be a concern<sup>20</sup>. This target and publication of performance provides transparency on how parts of the postal service are performing in NI and other parts of the UK, and supports accountability of the universal service provider to consumers and businesses across Northern Ireland. This must continue.

5.11 Additionally, The Consumer Council’s previous research showed that consumers and businesses want a quick and reliable postal service<sup>21</sup>. We also note Ofcom’s research which shows 75% of NI consumers rely on the postal service for letters and cards, and 85% rely on the postal services for parcels. This means quality of service regulatory measures are still needed throughout the next regulatory period.

5.12 We also believe regulating the quality of service helps to explain the high level of satisfaction consumers have towards the speed of delivery. We also note that Ofcom’s analysis concludes that any reduction in the quality of service would only lead to limited savings for Royal Mail, so could disproportionately affect consumers by exposing them to a greater risk of lower service while paying higher prices.

5.13 In this context, The Consumer Council recommends that Ofcom should continue to regulate the quality of service as this will help ensure consumers and businesses receive the high level of service they need. This measure complements the price safeguard cap.

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<sup>18</sup> [Ofcom. Call for Inputs – Review of Postal Regulation. March 2021.](#)

<sup>19</sup> Ofcom. Review of Postal Regulation. Call for Inputs. March 2021.

<sup>20</sup> [The Consumer Council. Experiences and attitudes of vulnerable consumers and businesses. August 2017.](#)

<sup>21</sup> [The Consumer Council. Experiences and attitudes of vulnerable consumers and businesses. August 2017.](#)



**Do you consider Ofcom’s approach to regulating USO services, including access requirements, Special Delivery Guaranteed by 1pm, Signed For and Meter mail will remain appropriate going forward? If not, please explain what changes you think should be made, with supporting evidence.**

- 5.14 The Post Office network is vital for consumers to access the universal postal service. For example Ofcom’s research shows that nearly nine in 10 (86%) go to a post office to send parcels with Royal Mail or Parcelforce<sup>22</sup>. Post boxes also play an important role for consumers sending letters. It will be important to ensure NI consumers have adequate access to both the Post Office and Post Box network across Northern Ireland.
- 5.15 The Consumer Council agrees with the requirement, as explained in Ofcom’s call for input paper, that Royal Mail reviews and states how consumers who are ‘*blind, partially sighted, infirm through age, chronically sick or disabled*’ are able to post letters and parcels<sup>23</sup>. We also note Ofcom explains that consumers in rural areas can give hand-stamped, letterbox sized mail to delivery staff when their delivery is being made for onward delivery. This approach could be enhanced by including parcels services. Ofcom will also need to retain the requirement for Royal Mail to provide the Articles for the Blind service.
- 5.16 Ofcom should also investigate if a register of users which meet the above criteria could be developed to safeguard these consumers when they need to send letters and parcels. This could also form part of a consumer vulnerability strategy.
- 5.17 The Consumer Council would also like to see a postal solution to help those who are homeless and/or are dealing with unsafe living situations. We will be working with Citizens Advice this year on this issue and look forward to advising Ofcom of the outcome.
- 5.18 The Consumer Council recognises many consumers are unclear about the difference between the Signed For and Special Delivery service. However, our research shows that in terms of features, guaranteed next day is important to more than eight in 10 consumers (83%) in NI<sup>24</sup>. Similarly, a registered service is important to more than eight in 10 NI consumers (85%). The issue is more around consumer awareness of the features between the different products, which means Ofcom may wish to explore how it can make it easier for consumers to understand the differences.
- 5.19 The Consumer Council agrees with Ofcom’s analysis that at the moment SMEs appear to require meter services, so it is appropriate to regulate this area over the next regulatory period<sup>25</sup>.

## **6. Parcels regulation**

**Do you think the parcels market is working well for all senders and receivers of parcels (such as online shoppers, marketplace sellers and/or small retailers)? If not, please explain what changes you think should be made, with supporting evidence.**

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<sup>22</sup> Ofcom. Review of Postal Regulation. Call for Inputs. March 2021.

<sup>23</sup> Ofcom. Call for Inputs. March 2011.

<sup>24</sup> [The Consumer Council. The Universal Postal Service and Northern Ireland Consumers. August 2020.](#)

<sup>25</sup> Ofcom. Review of Postal Regulation. Call for Inputs. March 2021.

**What is the nature and extent of detriment (if any) that consumers may suffer in the C2X or B2C segments of the parcels market? Please provide your views with supporting evidence.**

- 6.1 We deal with these two questions together. The unregulated parcel market (C2X and B2C) is not working well for NI consumers.
- 6.2 As explained above there is less competition in the C2X market which means Royal Mail is the dominant provider for NI consumers sending parcels (Paragraphs 3.8 and 3.9). The regulatory safeguards and measures therefore must remain and be enhanced to protect NI consumers.
- 6.3 Alongside this, the next most popular operator among NI consumers, Hermes has introduced a surcharge to send parcels from NI and GB. The surcharge is also applied to items being sent from GB to NI so will also negatively affect NI consumers as receivers of parcels. This means that this part of the parcel market is now working less effectively than before, and is putting NI consumers at greater risk of pricing and access detriment.
- 6.4 Additionally, NI consumers have long experienced being charged higher delivery prices when they shop online with GB retailers and the matter remains unresolved. Surcharging affects all geographical areas across NI. Our research carried out in 2018 helps to show the proportion of retailers that apply a surcharge for delivery to NI, and the average additional cost<sup>26</sup>. For instance, four in 10 UK online retailers applied an additional delivery surcharge for consumers living in NI and on average the additional delivery cost was £6.72. This shows the B2C market is not working effectively and is causing consumer detriment across NI.
- 6.5 Furthermore, since the UK left the EU on 1 January 2021, consumers in NI have faced a range of challenges when they shop online with GB retailers. The most significant issue is that approximately 265 GB retailers have suspended deliveries to NI. We have also noticed some retailers are increasing delivery charges to NI and are concerned more will follow this pricing policy approach. Similarly, Hermes has explained its surcharges for items being sent from and to NI, in part have been influenced by the additional costs related to the EU Exit. These developments are exasperating existing issues and creating new problems with consumer parcel deliveries in NI.
- 6.6 As highlighted above The Consumer Council makes a number of suggestions which can help address access and affordability issues with the universal postal service (Paragraph 5.4). Additionally The Consumer Council believes Ofcom can assess if allowing parcel operators to access the Royal Mail parcel network would create an environment which could reduce the level of surcharging or eliminate the need for surcharging across the UK. This approach could be targeted in a way to only apply to those areas affected by surcharging, where competition is not working for consumers and is producing poor consumer outcomes.

**How effective are the existing consumer protection measures for users of parcel services, in particular CP3? Is a change in regulation needed to protect users of postal services (as senders and recipients) and if so, what measures? Please provide your views with supporting evidence**

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<sup>26</sup> [The Consumer Council. Packaged Deal – Retailers and Delivery Surcharges. June 2019.](#)

- 6.7 The Consumer Council published its report into the complaints landscape in 2019<sup>27</sup>. This report found that many UK consumers have had reason to complain about the service they have received from postal operators and parcel brokers. Websites' audits show improvements are needed so consumers can easily find complaint procedures, and that complaint procedures need to be transparent and simple for consumers to follow.
- 6.8 The Consumer Council also made a number of recommendations including for Ofcom to consider bringing the more general complaint handling protection condition in line with the requirements Royal Mail follows.
- 6.9 In this context, The Consumer Council is pleased Ofcom is reviewing this area. Indeed, recent qualitative research commissioned by The Consumer Council found a common theme of poor or inconsistent service from couriers, with consumers highlighting poor customer support or difficulty contacting parcel operators when something went wrong<sup>28</sup>.
- 6.10 The Consumer Council would suggest that all operator complaint handling regulatory standards are consistent with those that Royal Mail is required to comply with, so consumers are better protected throughout the parcel market. This includes parcel operators being members of an ADR scheme and a requirement to publish complaint data. We believe this will improve outcomes for consumers who wish to pursue individual complaints about operators which they have been unable to resolve, and at a policy level it will help address root cause issues by providing transparency around the numbers and types of complaints various operators receive.

**Are there any changes to the universal service obligations are required for parcels, such as including tracking for First/Second Class services? If so, please provide your views with supporting evidence.**

- 6.11 The Consumer Council published its report into the universal postal service in 2020<sup>29</sup>. One recommendation was for Ofcom to revisit its 2017 decision to consider a track and trace feature on USO parcel products so we are pleased Ofcom is reviewing this matter as part of its call for inputs.
- 6.12 Our research showed that many NI consumers believe it is important to have track and trace included as a feature of letters and parcel services. Nearly nine in 10 (87%) of NI 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.
- 6.13 In this context, Ofcom should assess if tracking could be added to the universal postal service but regulated in a way which does not create any affordability issues for NI consumers. The tracking facility should not result in additional costs for NI consumers. Any changes must improve NI consumer outcomes and represent a positive development in the postal services they use as both senders and receivers of mail.

**Do you have any other comments on Ofcom's approach to regulating parcels? If so, please provide your views with supporting evidence.**

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<sup>27</sup> [The Consumer Council. Stamp Out Complaints. December 2018.](#)

<sup>28</sup> Perspective Insight. Impact of Digitalisation on NI consumers. March 2021.

<sup>29</sup> [The Consumer Council. The Universal Postal Service and Northern Ireland Consumers. August 2020.](#)

6.14 The Consumer Council has provided its comments in the response to the above questions. However, we would like to reaffirm the comments made above (Paragraph 6.6) to underline the importance of Ofcom investigating if this intervention would reduce or eliminate the detriment NI consumers are experiencing with parcel surcharging.

## **7. Access regulation**

**Does the current scope of access regulation remain appropriate or should this be changed and, if so, how and why? Please provide your views with supporting evidence.**

**Is our current approach to access regulation working well in delivering fair, reasonable and not unduly discriminatory terms of access, and are there any changes we should make? If so, please provide your views with supporting evidence**

7.1 We deal with these two questions together.

7.2 The Consumer Council recognises access operators are best placed to provide a detailed response to this question. However, again we would ask that Ofcom looks at access regulation for parcels to examine if a targeted intervention would lead to improved outcomes for NI consumers negatively affected by parcel surcharging, and would request that Ofcom addresses this when it publishes its final proposals.

## **8. Conclusion**

8.1 Ofcom's final proposals for regulation in the postal market must protect all consumers in NI especially those that are more vulnerable.

8.2 The Council Consumer has highlighted a number of issues in response to Ofcom's questions, and we would ask that Ofcom adequately addresses these as part of its final proposals to ensure regulation is fit for purpose and relevant.

8.3 The issues we have highlighted include the impact of COVID-19 and the EU Exit on NI consumers. We have also explained consumers' concerns on the affordability of the universal postal service and the importance of regulatory quality of service measures for the universal postal service. Additionally, we explained that competition in the parcel market is not benefiting consumers in NI, underlined the continued detriment NI consumers experience through parcel surcharging and that consumers should be better protected when they experience problems with parcel operators and want to complain about these issues.

8.4 The Consumer Council would ask Ofcom to:

- Ensure the universal postal service is affordable including the redirection service;
- Investigate how the price cap can be designed for the next regulatory framework in a way that provides vulnerable NI consumers with more affordable postal services including for letters and parcels;
- Investigate and detail how it can support the development of competition in the parcel market in a way that reduces the need for parcel surcharging;
- Develop a clear consumer vulnerability strategy for the next regulatory period to support its proposed new framework, so the needs of vulnerable consumers are better monitored and there are quicker interventions to deal with consumer detriment;

- Protect consumers through the regulatory framework from redirection price increases;
- Continue to regulate the quality of service for the universal postal service over the next regulatory period;
- Investigate if allowing parcel operators to access the Royal Mail parcel network in a targeted way would create an environment which could reduce or eliminate the level of surcharging across parts of the UK, including NI and the Scottish Highlands and Islands which is causing consumer harm. If it would deliver better outcomes, we would recommend that Ofcom takes proactive steps to facilitate this through the regulatory framework; and
- Improve the complaint handling regulatory standards for all operators to better protect consumers in the parcel market.

8.5 Ofcom's final proposals must include appropriate regulatory measures for the universal postal service and the wider parcel market to protect NI consumers both in the short and longer term. The next regulatory period must ensure better outcomes for consumers. This would include a lower proportion saying universal postal service products are too expensive or unaffordable, fewer consumers experiencing surcharging, more consumers saying they have access to effective competition, consumers receiving a better quality of service and consumers finding it easier to complain about the problems they experience.

8.6 If you would like to discuss this response please contact Michael Legg, Interim Head of Postal Services Policy. Details provided below.

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**20 May 2021**