

Consultation response form

The Consumer Futures Unit (CFU), part of Citizens Advice Scotland, uses research and evidence to put consumers at the heart of policy and regulation in the energy, post and water sectors in Scotland. We work with government, regulators and business to put consumers first, designing policy and practice around their needs and aspirations.

The CFU's responsibility in this context is to consumers of postal services in Scotland, and it is with their interests in mind that we welcome the opportunity to respond to this consultation. Decisions on how to collect the funds that cover consumer advocacy expenses are not for us to take, but those decisions do have the potential to affect our work, and therefore the potential to impact on consumers. Our primary concern in the context of this consultation is ensuring relevant, appropriate and sustainable funding in order to continue advocacy on behalf of postal consumers.

Question 1: Do you agree that revenues from single piece end-to-end letter delivery services should be taken into account for the purposes of recovering consumer advocacy costs on post? Please give your reasons.

Confidential? – N

Yes. The CFU agrees that revenues from single piece end-to-end letter delivery services should be taken into account for the purposes of recovering consumer advocacy costs. As Ofcom acknowledges, these services are primarily used by consumers (through the First and Second Class universal services products offered by Royal Mail) and a significant proportion of our work relates to consumer use of letter services. We therefore agree that it is appropriate that postal operators providing single piece end-to-end letter delivery services should, in principle, contribute to consumer advocacy costs.

Question 2: Do you agree that revenues from end-to-end bulk mail services should be taken into account for the purposes of recovering consumer advocacy costs on post, and that revenues from services provided under an access agreement should not be taken into account for the purposes of recovering consumer advocacy costs on post? Please give your reasons.

Confidential? – N

The CFU agrees that revenues from end-to-end bulk mail services should be taken into account for the purposes of recovering consumer advocacy costs on post. However, we are of the view that revenues from services provided under an access agreement should also be taken into account for the purposes of recovering consumer advocacy costs.

While the majority of our work around bulk mail will focus on consumers as recipients of bulk mail rather than senders, the CFU has a duty to represent consumer of postal services, including small business consumers who may send bulk mail, and use services provided under an access agreement. The CFU will perform this duty as required, regardless of where our costs are paid, but taking revenue from services provided under an access agreement into account would be more consistent with Ofcom's "cost-reflective" criteria.

Question 3: Do you agree that turnover from parcel services should be taken into account for the purposes of recovering consumer advocacy costs on post? Please provide your reasons.

Confidential? – N

Yes. As we noted in our response to Ofcom's 2017 consultation on recovering consumer advocacy costs, postal services are now used mostly, or exclusively, by a large number of consumers for delivery of goods purchased online. We have a duty to represent consumers of all postal services – regardless of where our expenses are paid – but as a significant proportion of our work is devoted to parcel services, taking turnover from parcel services into account would be more in line with Ofcom's "cost-reflective" principle.

While we understand that consumers can be better served by improved competition, rather than increased regulation in the parcel services market – the insight we have gained from our extensive research into parcel delivery surcharging¹ suggests that this is not always the case. While we have no desire to see unnecessary regulation in the parcels market, we believe that parcel operators contributing funds to the Consumer Advocacy Bodies (CABs) work in this area is an appropriate way to support the sustainability of this work and improve the options for consumers in areas where competition has not resulted in a better deal for consumers. Without the need for any additional regulatory requirements, we consider this contribution strikes a crucial balance in line with Ofcom's "fairness" principal.

¹ [Citizens Advice Scotland \(2017\) The Postcode Penalty: Delivering Solutions](#)

Question 4: Do you agree that consumer advocacy costs on post, in regard to work completed by the CABs on the Post Office, should be recovered from all relevant postal operators? Please explain why.

Confidential? – N

Yes. The CFU agrees, in principle, that consumer advocacy costs on post, in regard to work completed by the CABs on the Post Office, should be recovered from all relevant postal operators.

A “post office” is defined in section 15 of the Postal Services Act 2011 as “any premises or vehicle in the United Kingdom from which postal services, or services provided under arrangements with a government department, are provided directly to the public.”

Although the majority of our work in this area will focus on Post Office Ltd, the CFU has a duty to represent all consumers of postal services, including those that access postal services through other means – like parcel shops, parcel lockers and other retail outlets. Because these outlets are used for the provision of postal services, they fall within the definition of a “post office” as set out in Postal Services Act 2011. As the postal market continues to grow and evolve, it is possible that consumer use of these outlets will increase and that they could become more of a focus of our work in future.

For example, Citizens Advice is in the process of concluding work on mapping other places “used for the provision of postal services”.

Question 5: Do you agree that the minimum revenue threshold for relevant letters postal services, for the purposes of recovering consumer advocacy costs on post, should be set at £10 million? Please explain why.

Confidential? – N

It is not for us to decide what minimum revenue threshold is appropriate for the purposes of recovering consumer advocacy costs on post. It is important that the cost of contribution does not act as a barrier to entering the market and that larger operators, through the exclusion of smaller operators, do not have to contribute disproportionately to the costs of consumer advocacy. The rationale for setting the minimum revenue threshold at £10m seems to strike the right balance between these objectives.

Question 6: Do you agree that the minimum revenue threshold for relevant parcels postal services, for the purposes of recovering consumer advocacy costs on post, should be set at £350 million? Please explain why.

Confidential? – N

It is not for us to decide what minimum revenue threshold is appropriate for the purposes of recovering consumer advocacy costs on post. The parcels market generates considerably more revenue than the letters market so it seems appropriate for the minimum revenue threshold for recovering consumer advocacy costs to be higher.

Question 7: Do you have any other comments on our proposals as set out above or our proposed amendments to our legal instrument (CP1)? Please provide your reasons.

Confidential? – N

We have no further comments on these proposals.