

Today's Postal Market

April 2022



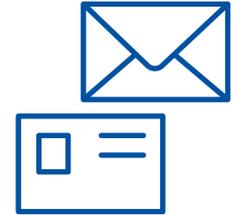
Introduction

Scotland's Citizens Advice Network is an essential community service that empowers people through our local bureaux and national services by providing free, confidential, and independent advice. We use people's real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help, and we change lives for the better.

Citizens Advice Scotland (CAS) has served as Scotland's designated consumer advocacy body for postal services for the past 8 years. From 1 April 2022, this function will be transferred to Consumer Scotland. During our time as the consumer advocate, we have made sure that the voice of Scottish postal consumers has been heard by regulators and service providers alike. Our work has been focused on making postal services accessible and affordable for all consumers, no matter where they live, or what their income level or personal characteristics may be.

During the pandemic, postal services continued to be an essential communication service for consumers. The way we use postal services has changed in recent years, as evidenced by declining letter volumes, and increasing parcel deliveries. Ofcom, the postal market regulator, is currently undergoing a review of current regulation and considering the appropriate regulatory framework for the next 5 years. CAS has [responded](#) to this consultation, sharing our views of how the postal market can better meet the needs of all consumers across the UK.

This briefing highlights the key issues facing postal market consumers in Scotland today. First, we focus on the responsibilities of Royal Mail as the designated universal service provider to maintain the universal service obligation (USO) set out in legislation. It is crucial for Royal Mail to ensure all consumers have access to affordable USO services. Next, we share our views on the rapidly evolving parcels market. Generally, many consumers have benefitted from increased choice and competition in the parcels market. However, it is clear not all consumers can access these services equally. The regulator (Ofcom) has proposed a number of ways in which parcel operators should improve customer service processes, though many Scottish consumers continue to be detrimentally impacted by issues such as surcharging costs.



Affordability

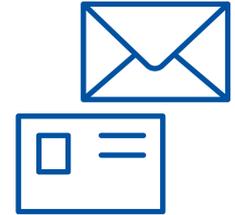
Our research shows that 51% of Scottish consumers¹ and 59% of Scottish small to medium enterprises (SMEs) find postal services expensive². CAS remains concerned that many consumers struggle to afford postal services. UK households are struggling to meet the rising costs of living for essentials, including energy costs. The pandemic left 1.8 million people in Scotland financially worse off and now the cost-of-living crisis is squeezing household budgets to a breaking point across the country. Furthermore, Royal Mail has announced a price increase for 1st Class and 2nd Class stamps from 4 April, 2022³. It is important that the USO is affordable for all consumers and that core services for consumers are protected. For example, 87% of consumers⁴ and 72% of SMEs⁵ said that single rate delivery to any UK address was the most important feature of the USO.

Ofcom will begin a review of the current safeguard price caps later in 2022. We note that Ofcom's own research shows that affordability conditions, especially for financially vulnerable consumers are not expected to have materially improved since the 2019 safeguard cap review⁶. Additionally, in recent years the cost of postage has increased at a faster rate than household incomes⁷. Given these current market conditions and the cost-of-living crisis, CAS has urged Ofcom to undertake a wider review of affordability alongside the safeguard price cap review to ensure that postal services are affordable for all consumers.

There have been improvements in relation to the affordability of some specific Royal Mail services. After sustained campaigning from consumer advocacy bodies, in November 2021 Royal Mail [announced](#) expanded concessionary rates for Redirection services by providing a deeper discount and wider eligibility criteria. This is a positive step, though it will be crucial that Ofcom takes appropriate action to monitor the uptake of the new concessionary rate to ensure that those who are eligible are aware of the service and can access it. CAS also notes that some vulnerable consumers and SMEs are not eligible for the new concessionary rates. Many SMEs in Scotland are microbusinesses with less than 10 employees. Our research shows that 82% of Scottish SMEs find Royal Mail's Redirection services to be expensive⁸. CAS has advocated for a concessionary rate on business Redirections that could apply to SMEs, charities, and social enterprises.

¹ [CAS \(2021\) Postal Services in Scotland](#)
² [CAS \(2022\) Postal Services for SMEs in Scotland](#)
³ [Royal Mail \(2022\) First and Second Class Stamp Prices 2022](#)
⁴ [CAS \(2021\) Postal Services in Scotland](#)
⁵ [CAS \(2022\) Postal Services for SMEs in Scotland](#)
⁶ [Ofcom \(2021\) Review of Postal Regulation](#)
⁷ [Ofcom \(2021\) Review of Postal Regulation: Call for Inputs](#)
⁸ [CAS \(2022\) Postal Services for SMEs in Scotland](#)





Quality of Service

The USO requires Royal Mail to meet certain [delivery targets](#) to mainland UK addresses. Since the beginning of the pandemic, Royal Mail has regularly fallen short of their Quality of Service targets. CAS acknowledges that Royal Mail have experienced supply chain and staffing challenges due to the pandemic. In recognition of these challenges, Ofcom introduced a regulatory emergency period during which Royal Mail was not required to meet regulated Quality of Service Targets. The emergency period ended on 31 August 2021. Since then, Royal Mail has still struggled to meet the delivery targets mandated in the USO. CAS has raised concerns with Royal Mail and Ofcom about the detrimental impacts of extended postal delays on all consumers, but especially vulnerable consumers. Without timely post deliveries, consumers go without access to important parcels such as medication deliveries and run the risk of missing vital letters including NHS appointments, debt repayment notices, and benefits information.

Testimony from East of Scotland Citizens Advice Bureau (CAB):



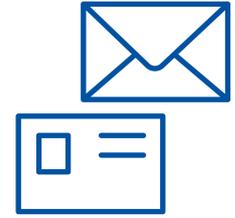
The problem is unreliability of Royal Mail even for 1st Class post. There have recently been so many instances of delayed post that we are feeling uneasy at using Royal Mail for anything that is date sensitive.

Over the winter holiday period of 2021/22 there were significant Royal Mail delivery delays that impacted 25% of Scottish consumers. Of these consumers, 53% went more than a week without receiving letters⁹. Currently Royal Mail is exempt from meeting delivery targets during the Christmas period, though CAS does not believe this is in the best interest of consumers. Many consumers are more likely to use postal services during this period and should be protected by a specified minimum level of service, even if this is lower than the usual target.

Additionally, when delays happen, consumers often lack prompt and clear information about service issues in their local area. CAS has advocated for better communication of delivery delays through both online and offline channels to limit consumer detriment.

Scotland's island communities routinely receive a lower Quality of Service than mainland UK addresses. Royal Mail is not regulated to maintain Quality of Service targets for non-mainland addresses due to additional logistical considerations, some of which may be out with their direct control. While CAS acknowledges that it may not be practical to apply mainland delivery targets to island communities, we believe that there should still be a regulated minimum Quality of Service standard for these communities.

⁹ [Citizens Advice \(2021\) 165 million people hit by letter delays in January](#)



Access to Post

We know that vulnerable consumers tend to be more reliant on post and are often more negatively impacted by postal exclusion. In June 2021 we published our [Delivering for all report](#) which explored the specific barriers some Scottish consumers face in accessing post. Since its publication, CAS has worked with stakeholders to explore options for implementing the recommendations of the report. This has included working collaboratively with relevant stakeholders to improve access to post for the Gypsy/Traveller community in Scotland.

Recently the UK Government confirmed that the Post Office network subsidy will be maintained at £50 million a year until 2025. Many communities have been impacted by recent Post Office closures and this subsidy will help many consumers retain access to Post Offices, especially in rural areas, where the Post Office is often the 'last shop in the village'. Though even with the subsidy, CAS remains concerned that many rural consumers will still struggle to access Post Offices or part-time mobile outreach services.

Parcel Surcharging

1 in 5 Scottish consumers¹⁰ and 1 in 4 SMEs¹¹ have experienced parcel surcharging costs for delivery based on their location. Surcharging costs are meant to reflect the additional operational costs incurred in relation to deliveries to these areas. However, where deliveries are coming from retailers, consumers often lack choice between operators and there is a need for more transparency of how any additional delivery costs are decided upon. Through the CAB network, we are aware of anecdotal evidence of surcharges frequently being more than the cost of the item being delivered, or of being seemingly arbitrary in nature. For example, residents in urban areas like Inverness can be subject to the same surcharging costs as residents of Shetland. Our research shows surcharging costs are often significant enough to change consumer behaviour. Of those consumers who had been surcharged:

- > 36% said they had been put off buying online altogether because of surcharging
- > 40% said they were frequently put off buying this way, but not always
- > Only 4% said they had never been put off because of surcharging¹².

Similarly, for SMEs who had been surcharged:

- > 84% said that extra delivery charges deter them from buying the item from that supplier
- > 53% of SMEs said that they rarely or never pay the surcharge¹³.

Online shopping has become an important safety measure for people shielding at home and can often be the only option for rural residents. To limit consumer detriment from surcharging costs, CAS has advocated for greater transparency of online shopping websites so that consumers are fully aware of the costs they face for delivery to their postcode. In addition, we see a continuing role for the advice provided to consumers on this issue via [Delivery Law UK](#) and for appropriate enforcement by Trading Standards and The Advertising Standards Authority.

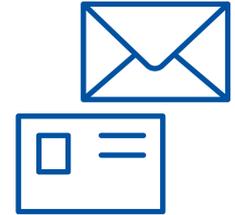
¹⁰ [CAS \(2021\) Postal Services in Scotland](#)

¹¹ [CAS \(2022\) Postal Services for SMEs in Scotland](#)

¹² [CAS \(2021\) Postal Services in Scotland](#)

¹³ [CAS \(2022\) Postal Services for SMEs in Scotland](#)

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Customer Service in the Parcels Market

Many consumers do not receive a high quality of service from parcel operators. 1 in 3 Scottish consumers and SMEs has experienced an issue with a parcel delivery in the last year. Most commonly parcels have been lost, delayed, or damaged. When issues do arise, consumers face barriers in making complaints such as low trust in parcel operators to resolve the issue and lack of information about how to complain. Of those who experienced an issue with delivery, only 34% of consumers¹⁴ and 42% of SMEs¹⁵ chose to make a formal complaint. Only 25% of SME complaints and 21% of consumer complaints were resolved in a way that satisfied the customer.

Testimony from a West of Scotland CAB:



The Client has hearing difficulties and struggles with phone calls and has complained to Royal Mail, via the bureau, about his mail being lost or undelivered. They received an email response from Royal Mail stating that they are aware of the problem but cannot shed any light upon why it is happening or see any reason why it would, client is unhappy with this response and wants to escalate. This has caused him unnecessary stress and worry.

The regulator has recently proposed new guidance for parcel companies in relation to customer service. CAS welcomes efforts to improve customer service for all consumers but is not convinced that guidance alone will ensure processes are improved.

Evidence shows that disabled consumers often have more difficulty accessing their parcel deliveries¹⁶. CAS welcomes Ofcom's proposal to establish a new Consumer Protection Condition requiring all parcel operators to establish, publish and comply with clear and effective policies and procedures for the fair and appropriate treatment of disabled consumers in the parcel markets.

CAS has also urged Ofcom to expand their definition of vulnerability to recognise the challenges different consumers groups can face accessing the parcels market. Vulnerability can take many forms; it can be transient, fluctuating, or permanent. The postal market could be further improved through the development of a strategy for vulnerable consumers that would establish clear expectations for all operators. We note that Ofcom has created a comparable strategy for telecommunication consumers developed in 2020¹⁷.

¹⁴ [CAS \(2021\) Postal Services in Scotland](#)

¹⁵ [CAS \(2022\) Postal Services for SMEs in Scotland](#)

¹⁶ [Ofcom \(2022\) Review of postal regulation](#)

¹⁷ [Ofcom \(2020\) Treating Vulnerable Consumers Fairly](#)

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