

# Postal Advocacy

## 2021/22

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### Context

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2020/21 saw the passage of the Consumer Scotland Act (2020) through the Scottish Parliament. As Consumer Scotland continues its progression towards being a fully functional body, 2021/22 represents a transitional year for Citizens Advice Scotland's delivery of advocacy on postal services. At present our expectation is that levy funded activities on post will transition to the new body once it is fully established and operational, which we anticipate happening in April 2022.



## Summary

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Building on our advocacy work during 2020-21, CAS will continue to work on a variety of consumer issues related to the postal market in Scotland.

The Ofcom Regulatory Review will be a key focus for CAS in 2021/22 as certain aspects of the wider regulatory regime for postal services have the potential to have disproportionate impacts on Scottish consumers. In addition, CAS will advocate for the needs and priorities of Scottish consumers when considering potential changes to the Universal Service Obligation (USO) in relation to postal services.

Our Fairer Deliveries work centres around advocating for fair pricing of parcel deliveries for consumers and SMEs, no matter their geographical location, by addressing the issue of surcharging.

CAS will also continue to engage regularly with stakeholders including within the postal industry, government, regulators, and other advocacy bodies across the UK during 2021/22.



# 1. Input into UK Regulatory Environment

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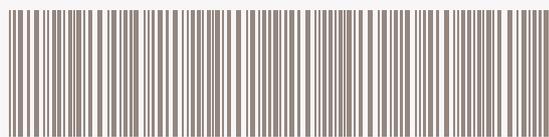
## Ofcom Regulatory Review

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In 2021-22, Ofcom will be conducting a wide-ranging review of UK postal regulation, building on a number of pieces of work already undertaken in 2020-21. This will consider what the appropriate framework should be for regulating the postal sector, in light of changes to the market - notably customers' increasing reliance on parcel delivery and the continued decline in letter volumes - and will consider whether changes are required to existing regulation.

CAS believes that certain aspects of the wider regulatory regime for postal services may have disproportionate impacts on Scottish consumers. For example, Scottish consumers and businesses are disproportionately impacted by parcel surcharging, a situation exacerbated by the effects of the COVID-19 pandemic and the greater reliance on online shopping services. Currently, the extent to which Ofcom can intervene in relation to specific aspects of parcel delivery outside of the universal service framework is limited. The regulatory review provides an opportunity for CAS to make the case for more effective regulation of this market on a UK basis in order to protect the interests of Scottish consumers.

Therefore, CAS will carry out engagement and advocacy work to ensure the voice of Scottish consumers is present throughout the regulatory review process. CAS will continue to assess whether the current regulatory regime meets the needs of Scottish consumers, especially those who are vulnerable, and will argue for change where we think it is needed. We will also undertake further research work likely via polling activity to provide a greater evidence base for our ongoing advocacy work on this issue during 2021/22. Such research would build on work already undertaken in 2020-21 and would likely focus on specific groups within the Scottish population to provide us with a further evidence base outlining how potential regulatory or USO changes may impact on specific sub-sets of Scottish postal consumers.



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## Universal Service Obligation

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In November 2020 Ofcom concluded and published its review of postal users' needs, which formed part of its 2017-22 regulatory review cycle. The review examined the sustainability of the current Universal Post Service (generally known as the Universal Service Obligation or USO). The USO sets out in legislation minimum levels of service that must be offered to UK postal consumers.

This review contained Ofcom's assessment of the extent to which the universal postal service reflects the reasonable needs of users of postal services. Following on from this, the UK Government will now determine whether any changes are needed to the minimum requirements and bring any proposals before Parliament.

CAS considers that changes to elements of the USO may be proposed, due to changes in parcel and letter volumes experienced by Royal Mail, and the need to ensure that the obligations of the USO are sustainable in the longer term.

CAS believes that some of the potential changes to the USO may have a disproportionate effect on Scottish consumers and that there needs to be a strong Scottish consumer advocate in place on post issues throughout the whole process of reviewing the USO to ensure the views of Scottish postal consumers are represented. As such CAS will engage and work with relevant stakeholders in relation to the Regulatory Review during the entirety of 2021/22.

Particular issues make the USO especially relevant to Scotland, such as its large rural landmass. Without regulation ensuring uniform pricing and schedules for postal delivery across the UK, consumers in remote areas can wait longer and pay more for their deliveries. Indeed, this is not just a problem for remote rural consumers in Scotland, but for consumers in the Highlands and Islands generally, including built-up areas far from other conurbations, such as Inverness.

We are aware that Scotland's SME sector, much of which is rurally or remotely located, relies heavily on the USO. In 2015, the Federation of Small Businesses (FSB) surveyed their Scottish members on behalf of CAS and found that 80.3% of businesses surveyed use Royal Mail to dispatch parcels.

As such, CAS will undertake work and research required to ensure that the voice of Scottish consumers and Small Businesses is heard as Ofcom and the UK Government consider potential changes to the USO. This will include engaging with stakeholders, including the FSB, Citizens Advice and the Consumer Council of Northern Ireland to ensure that information and best practice benefiting postal consumers is considered alongside any proposed changes to the USO.

## 2. Fairer Deliveries

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CAS has played a leading role as a consumer advocate on parcel surcharging<sup>1</sup>, and we will continue to address this issue, which affects postal consumers in remote and rural parts of Scotland. In 2021/22 CAS will undertake further work to unpick some of the issues and questions that remain following the work conducted by CAS in 2020/21 and the findings of the information request to parcel operators carried out by Ofcom and published in November 2020.

We have learned that some operators in the business to consumer (B2C) parcel market do not vary their charges based on the consumer's location. However, many operators do vary their prices based on geography and the final price charged seems to involve a degree of negotiation between the operator and the retailer. This may indicate that retailers decide which operator to use and whether any additional charges are passed on to consumers. In most cases, all or some of these charges are passed on to consumers, which may indicate that in Scotland many retailers choose not to use the operators who do not apply surcharges based on geographic location.

CAS will undertake work to strengthen the evidence base for the case for further regulation of this market and to enable better understanding of the causes and rationale for surcharging.

Ofcom's regulatory review provides an opportunity for CAS to make the case for more effective regulation of the parcels market in the UK. CAS will work closely with Ofcom and the CMA, together with other advocacy bodies, to understand what further collective action can be undertaken on this issue.

Further action may potentially include considering how these costs are calculated by the operator; examining when retailers choose to pass costs onto consumers, and whether common standards could be developed by operators to prevent large fluctuations in the prices of delivery.

We will also continue to work at a UK-level with the Consumer Protection Partnership to address the wider issue of surcharging, and with Scottish Government to help progress their Fairer Deliveries for All action plan.



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<sup>1</sup> See our Postcode Penalty series of reports (2012-17).



### 3. Ongoing stakeholder engagement

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CAS will continue its regular postal industry and stakeholder engagement during 2021-22. This will include engaging with industry, government, regulators, and other advocacy bodies across the UK to ensure that information and best practice benefiting postal consumers is shared promptly and proactively.

We will also undertake advocacy activity on the issues and recommendations stemming from our Access to Post research project (completed during 2020/21) in order to address and improve access to post for specific groups in Scotland. We will engage with a range of stakeholders on these issues including the Scottish Government, Royal Mail and other advocacy bodies during the course of 2021/22.

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### Funding

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CAS has broken down the funding in terms of expenditure on resources and external research required to deliver the research projects outlined in the workplan, and an allocation which covers the cost of staffing to allow CAS to undertake a valuable role, responding to the emerging needs of postal consumers and the industry as they emerge throughout the year.

Activity	Expenditure
Research and resource costs associated with Post projects	£156,500
Industry engagement and responding to the needs of consumers as they emerge (formerly titled 'BAU')	£13,500
<b>Total cost</b>	<b>£170,000</b>