

Consultation response form

Please complete this form in full and return via email to richard.orpin@ofcom.org.uk or by post to:

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Consultation title	Recovering postal regulation and consumer advocacy costs
Full name	Nina Ballantyne
Contact phone number	[X]
Representing (delete as appropriate)	Organisation
Organisation name	The Consumer Futures Unit, Citizens Advice Scotland
Email address	[X]
We will keep your contact number and email address confidential. Are there any additional details you want to keep confidential? (delete as appropriate)	Nothing
For confidential responses, can Ofcom publish a reference to the contents of your response?	Yes

Your response

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. We note that Ofcom is not proposing substantial change on how the costs of caller helplines are met, and that the funds Ofcom collects for the caller helplines make up a small proportion of their total funding, so we

have not addressed funding of caller helplines in our response. We would also stress that our response is limited to how the cost of the CFU's work is recovered. Decisions on how Ofcom recovers the cost of its work are not ours to take.

The CFU's response to these questions references some other documents; they can be found at the following links:

- Ofcom's charging principles criteria: page 5, https://www.ofcom.org.uk/data/assets/pdf_file/0019/105238/consultation-postal-regulation-review.pdf
- section 27 of the Postal Services Act (2011): <https://www.legislation.gov.uk/ukpga/2011/5/section/27>
- section 40 of the Postal Services Act (2011): <https://www.legislation.gov.uk/ukpga/2011/5/section/40>

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 setting administrative charges? Please give your reasons.

Confidential? – N

The CFU agrees that revenues from single piece end-to-end letter delivery services should be taken into account for the purposes of setting administrative charges, in theory. They are subject to regulation (e.g. Essential Condition 1 and Consumer Protection Condition 2), and it is reasonable for these services to contribute to the costs associated with this. In addition, from the perspective of postal consumers, these services could "reasonably be said to be interchangeable with a service of a description set out in [the universal postal service order]", as section 40 (1)(c) of the 2011 Postal Services Act provides.

<p>Question 2: Do you agree that revenues from bulk mail and access services should be taken into account for the purposes of setting administrative charges? Please give your reasons.</p>	<p>Confidential? – N</p> <p>Yes. Bulk letter services are the majority of total letters volume, and rely on the USPA Condition. They also make up a proportion of the revenue Royal Mail requires to maintain the sustainability of the USP. The point above regarding section 40(1)(c) of the 2011 Postal Services Act also stands here.</p> <p>In addition, the CFU has a duty to represent consumer of postal services, which Section 27 of the Postal Services Act (2011) defines as:</p> <p>1(a) the service of conveying postal packets from one place to another by post (b) the incidental services of receiving, collecting, sorting and delivering postal packets</p> <p>This duty to represent consumers of postal services includes small business consumers who may use these services. Therefore, some of the CFU’s work may include areas like bulk mail and access services. We carry out this duty regardless of where our expenses are paid, but taking revenue into account would be more in line with Ofcom’s “cost-reflective” principle.</p>
<p>Question 3: Do you agree that turnover from access revenues should be calculated on a net basis (i.e. after the deduction of access charges to Royal Mail)? Please give your reasons.</p>	<p>Confidential? – N</p> <p>The CFU agrees that turnover from access revenues should be calculated on a net basis for the reasons outlined in Ofcom’s consultation document, in particular the consideration of “fairness” (3.33). This will also address Royal Mail’s point on the potential for double revenue counting.</p>

Question 4: Do you agree that turnover from parcel services should not be taken into account for the purpose of setting administrative charges? Please provide your reasons.

Confidential? – N

No, the CFU disagrees with this. As above, the CABs have a duty to represent consumers of all postal services. We carry out this duty regardless of where our expenses are paid, but taking parcel service turnover into account would be more in line with Ofcom's "cost-reflective" principle. Although the CFU appreciates that Ofcom's work on parcel services is only related to how they interact with the USP, our duty to "consumers of postal services" is broader than this, which the Postal Services Act (2011) explicitly defines as including the services of "conveying postal packets", meaning "a letter, parcel, packet or other article transmissible by post".

It's also true that postal services are now used mostly, or exclusively, by a large number of consumers for delivery of goods purchased online. The exclusive contracts between non-USP carriers and retailers prevents such consumers purchasing the universal service products they may otherwise access, or prefer (particularly those consumers facing location-based surcharges).

We appreciate the position that consumers are better served by improved competition, rather than increased regulation in the parcel services market. However, the expertise within the CFU gleaned from our extensive research into postal market failures for consumers in Northern Scotland, suggests this is not always the case¹. The CFU have no desire to see unnecessary regulation, but believe that parcel operators contributing funds to the CABs work in this area is an appropriate way to contribute to the sustainability of this work and improve the options for consumers in areas where competition has not resulted in a better deal for consumers. We feel this contribution, without any additional regulatory requirements, strikes a crucial balance in line with Ofcom's fairness principal.

¹ Findings from our most recent work (as yet unpublished) show that consumers who cannot choose to purchase delivery from Royal Mail, and live in Scottish areas affected by surcharging (often arbitrarily and inconsistently defined) are asked to pay at least 30% more than people elsewhere on the British mainland, and at least 10% more than other British rural and island areas, excluding Northern Ireland. Previous published work on this issue can be found here: <http://www.cas.org.uk/publications/postcode-penalty-distance-travelled>

<p>Question 5: Do you agree that the minimum revenue threshold for payment of administrative charges should be lowered to £5m? Please explain why.</p>	<p>Confidential? – N The CFU believes that the charges should be lowered in principle, to prevent disproportionate regulatory and financial burden on any one operator, and to reflect the changed shape of the industry, but it is not for us to decide what the threshold may be. While the CFU understands the effort to harmonise fee setting methods, we would be interested in further information on the rationale for the current £5m threshold in the other sectors that Ofcom regulates.</p>
<p>Question 6: Do you agree with the proposed changes to CP1 that are set out in Annex 6? Please provide your reasons.</p>	<p>Confidential? – N The CFU agrees with the majority of the proposed changes to CP1. However, as consumer advocates, we would support further expanding the definition of “relevant postal operators” to include those providing parcel services, for the reasons set out in our answer to Question 4.</p>

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