

## Your response

| Question   | Your response  |
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| <p><b>Question 3.1. 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.</b></p> | <p>Confidential? – N</p> <p>Citizens Advice Scotland (CAS) is content that the regulatory framework continues to be reviewed at 5 year intervals, provided that this is supplemented by continuous monitoring and regulatory interventions when it can be demonstrated that the market is not working for consumers and Small to Medium Enterprises (SMEs).</p> <p>As the statutory advocate for postal consumers in Scotland, CAS believes that there are particular issues that make the Universal Service Obligation (USO) of specific relevance and importance for consumers in Scotland. Scotland has a large rural landmass: 98% of its total landmass was classed as rural in 2018<sup>1</sup>. This does not necessarily mean that more Scottish consumers live rurally than in other parts of the UK, but those who do are more likely to live further from built-up areas.</p> <p>For example, comparing Scottish Government and UK Government figures – from 2018 and 2017 respectively – we find that both Scotland and England have 17% of the population living in rural areas<sup>2</sup>. However, 6% of Scotland’s population is defined as “remote rural” (living more than a 30-minute drive from the nearest settlement of 10,000 or more)<sup>3</sup>, whereas the equivalent category for England, “rural settlements in a sparse setting” (“where the wider area is remotely populated”) accounts for only 0.9% of the population<sup>4</sup>.</p> <p>We know that without regulation (such as in the parcels market) to ensure uniform pricing and schedules for postal delivery across the UK, consumers in remote areas pay more for their deliveries; they may also wait longer for them to</p> |

<sup>1</sup> [Rural Scotland Key Facts 2018 People and Communities Services and Lifestyle Economy and Enterprise](#), Scottish Government (2018)

<sup>2</sup> [Rural Scotland Key Facts 2018](#), Scottish Government (2018)  
[Statistical Digest of Rural England January 2019 Edition](#), DEFRA (2019)

<sup>3</sup> [Rural Scotland Key Facts 2018](#), Scottish Government (2018)

<sup>4</sup> [Statistical Digest of Rural England](#), DEFRA (2019)

arrive. 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.

From our most recent polling we know that letters and parcels are used by much of the population in Scotland but on a less than regular basis<sup>5</sup>. Our polling indicated the following usage:

- Letters – 13% once a month, 48% less than once a month and 27% never send letters
- Parcels – 14% once a month, 56% less than once a month and 18% never send letters.

However, when Scottish consumers do use letters and parcels, it is vitally important that service providers and regulators are able to deliver on affordability, safeguards, and quality of service.

CAS also recognises that Ofcom has legal duties that affect its approach to postal regulation. We are aware that in carrying out its duties Ofcom must consider:

- the desirability of promoting competition in relevant markets;
- the desirability of encouraging investment and innovation in relevant markets;
- the needs of persons with disabilities, of the elderly and of those on low incomes;
- the different interests of persons in the different parts of the United Kingdom, of the different ethnic communities within the United Kingdom and of persons living in rural and in urban areas; and
- the extent to which, in the circumstances of the case, the furthering or securing of the matters mentioned in section 3(1) is reasonably practicable. .... in performing its duty to further the interests of consumers, Ofcom must

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<sup>5</sup> This polling was undertaken on our behalf by Yougov in April 2021 and involved 1,029 respondents representative of the Scottish population.

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|   | <p>have regard, in particular, to the interests of those consumers in respect of choice, price, quality of service and value for money.</p> <p>CAS believes that an appropriate balancing of these statutory objectives is vitally important in order to ensure that while innovation and competition is promoted, services remain accessible to all consumers and SMEs. We note that there have been huge changes in the postal sector since the last regulatory review and look forward to discussing the potential changes that Ofcom believes are required to ensure that regulations are consistent with the new environment and services are accessible to all.</p> <p>The impact of Brexit and COVID-19 on parcel services must also be recognised and understood by Ofcom, in assessing whether the current postal regulations are still as effective and appropriate as they were deemed to be in 2017.</p> <p>In summary, CAS believes that changes to the postal market will require regulatory change. We are calling for greater regulation of the parcels market and a greater emphasis on the needs of vulnerable consumers by operators.</p> |
| <p><b>Question 4.1: 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.</b></p> | <p>Confidential? – N</p> <p>We understand the need to ensure that the Universal Service Provider (USP) and Universal Service Obligation (USO) are financially sustainable. However, CAS is concerned that in order to ensure sustainability, Royal Mail may make cuts to services that reduce coverage rather than considering changes that make the USO financially stable while retaining its coverage for all.</p> <p>CAS would be opposed to any efficiency changes that would severely compromise either or both the affordability and quality of service to consumers and SMEs. Instead, CAS believes that Royal Mail should be focussed on the modernisation of their infrastructure, as their European counterparts have, which would make the organisation more efficient, and</p>  |

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|   | <p>make savings that do not negatively impact upon the consumer.</p> <p>In its most recent Annual Monitoring Report, Ofcom noted that<sup>6</sup>:</p> <p><i>The report found that Royal Mail was behind these European peers in terms of parcel automation. It also found that greater separation of letter and parcel activity, and the use of parcel hubs, were methods of operation which had widely been adopted by Royal Mail's European peers. As outlined in the sub-section on transformation, Royal Mail is proposing to adopt these measures, opening parcel hubs and separating out the delivery of larger parcels.</i></p> <p>With Royal Mail now having reached agreement with the CWU (Communication Workers Union) over the modernisation of the company in terms of staffing, Ofcom should be pressing for greater efficiencies to be generated by the modernisation of Royal Mail's infrastructure and working practices. This would provide cost savings without impacting negatively on the consumer. CAS believes that if progress in this area continues to be slow, Ofcom may need to reconsider regulatory targets if stakeholder incentives fail to generate these efficiency gains.</p> |
| <p><b>Question 5.1: 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.</b></p> | <p>Confidential? – N</p> <p>CAS is of the view that Ofcom should ensure that safeguards remain in place to protect vulnerable consumers. The USO safeguards are particularly important in CAS's view as they protect access to services for many in Scotland, especially rural and remote residents, and other vulnerable consumers. As such, we support the continuation of a cap on the price of Second-Class stamps for letters and parcels, up to and including 2kg, so vulnerable consumers can access a basic universal service.</p> <p>CAS also urges Ofcom to develop a strategy on consumer vulnerability, as happens in other regulated industries such as energy and telecommunications. This would allow for the identification and protection of vulnerable</p>  |

<sup>6</sup> [Annual Monitoring Update on Postal Services: Financial Year 2019-2020](#), Section 6.34, Ofcom (2020)

consumers and the consideration of what measures might be necessary to protect and enhance their access to postal services in an ever-changing market. CAS would also support the continuation of the free Articles for the blind service.

Having reviewed the current cost of services, there are concerns that some aspects of the USO are becoming unaffordable for consumers. Our forthcoming report on access to postal services by vulnerable groups in Scotland outlines that some services are not affordable for the most vulnerable in our society including asylum seekers, new refugees, those without permanent housing and survivors of domestic abuse. Given that this includes services under the USO, this is gravely concerning.

CAS believes that Ofcom must ensure that the price cap designed for the next regulatory framework better protects consumers, particularly those that are more vulnerable. In our recent polling by Yougov, which involved a representative sample of the Scottish population, 37% of respondents felt that the cost of sending a letter through Royal Mail is expensive, with a further 13% finding it far too expensive. The same sentiment was expressed by 37% of respondents who felt that the cost of sending a parcel through Royal Mail is expensive, with a further 13% finding it far too expensive.

Additionally, we note that Ofcom's own data demonstrates that the prices for first and second-class services have increased at a faster rate than the average working household's income has. CAS notes the paragraph in Ofcom's support document for the CFI which states<sup>7</sup>:

*Our 2019/20 Residential Postal Tracker suggests that 13% of respondents reported reducing their use of postage stamps to afford essentials like food or heating, and 8% had to cut back on essentials to afford postage stamps. The research suggests that those reducing their usage of stamps or cutting back on essentials to*

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<sup>7</sup> [Call for inputs: Review of postal regulation](#), Section 5.11, Ofcom (2021)

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|   | <p><i>afford stamps tended to be younger, housebound and/or low-income households<sup>8</sup>.</i></p> <p>Wider CAS data highlights concerns about household incomes in the recovery period following Brexit and the COVID-19 pandemic. Between April-December 2020, only half of the complex debt clients (51%) supported by Citizens Advice Bureaux (CAB) could be said to have 'disposable income' after all expenditure had been covered. Of these, more than one in four (26%) had a monthly disposable income of less than £50.</p> <p>Most of the remaining CAB clients (44%) appeared to have negative balances at the end of the month after all expenses had been covered. For one in five of these clients (22%), this monthly deficit was more than £500. This further demonstrates that those who may struggle financially do not necessarily have the disposable income to purchase stamps. This will be exacerbated if prices continue to inflate. From this, it is clear that affordability is crucially important to consumers being able to use these services. The financial sustainability of the USO, should therefore be focused on affordability rather than relying upon consumers paying increased prices.</p> <p>These statistics are alarming, particularly as those from Ofcom suggest that some consumers have to choose between sending post or feeding themselves. CAS's own polling supports the proposition that the cost of sending letters is too expensive with 50% of respondents saying that it is either expensive or far too expensive. Simply put, if some in society cannot access USO services, then they are not universal. It is therefore clear that action must be taken to ensure that the USO remains affordable to all consumers.</p> |
| <p><b>Question 5.2: Do you consider Ofcom's approach to the regulation of residential and business redirections services will remain appropriate going forward? If not, please explain what changes you think should be made, with supporting evidence.</b></p> | <p>Confidential? – N</p> <p>Having reviewed the current redirection services available to consumers and SMEs, CAS believes that changes must be made to the regulation of redirections. From our polling in</p>   |

<sup>8</sup> [Residential Postal Tracker Q3 2019-Q2 2020](#), Ofcom (2020)

Scotland, undertaken in April 2021, 58% of respondents who were aware of redirection services had used redirections previously (though the vast majority had not used the service in the last 12 months), with 41% having not used the service at any point. However, 1 in 5 people (19%) were not aware that redirection services exist. This is similar to Ofcom's data from their user needs review in which 24% of respondents were unaware of the service<sup>9</sup>. This is concerning and would suggest that the service is not as effectively advertised as it could be. We would therefore call upon Ofcom to use the regulatory review to examine how Royal Mail promotes key aspects of the USO to the public and if any minimum requirements should be adopted and expanded in order to ensure greater consumer awareness and uptake of such services.

Our forthcoming access to post report demonstrates the importance of post and the vital nature of documents sent through the mail. Given that items can include documents relating to identity, immigration status, housing and employment, it is important that access to post is secure. An effective and targeted redirections service is one part of ensuring that important documents find their way to the correct recipient.

CAS is aware that many consumers regard redirections as too expensive. From our polling 61% of respondents said they were slightly or much too expensive with only 29% believing the current costs are a fair price. Given this, it is unsurprising that stakeholders are calling for a reduction in the cost of redirections.

Ofcom's own research notes that redirection costs are increasing and becoming unaffordable:

*Between 2013-14 and 2019-20, we estimate that prices for the basic 3-month and 6-month package have increased for individuals by around 62% and 45%, respectively. Qualitative research indicates that the pricing of redirections felt expensive for larger*

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<sup>9</sup> [Review of Postal Users' needs](#), Section 6.55, Ofcom (2020)

households, those on low incomes and those who moved regularly<sup>10</sup>.

*...among those businesses that moved premises within the past 3 years and did not use redirections, 14% considered it too expensive. According to our qualitative research, SMEs, particularly small businesses, were more likely to consider the pricing of redirections as prohibitive. In particular, smaller businesses indicated that the pricing structure does not take into account the size of a business or mail volumes<sup>11</sup>.*

Our forthcoming report into access to post for vulnerable consumers found that survivors of domestic abuse and/or those who are homeless, are currently being priced out of using redirection services.

One potential solution to this is the expansion of social tariffs available for redirections. The current version is limited in scope and only a small percentage of benefit claimants match the eligibility criteria. CAS would support the expansion of social tariffs to be more inclusive as does the general public. 64% of those we polled believed that the discount for redirection services should apply more universally to those on low incomes.

CAS believes that Royal Mail should therefore review the affordability of its redirection services. We believe that Royal Mail should develop a social tariff which provides a reduced cost variation for domestic abuse survivors, people who are homeless, as well as other vulnerable groups such as those on low incomes. We are aware of existing social tariff schemes of a similar nature, including the Warm Home Discount scheme in the energy sector and others in the telecoms market. A similar approach should be examined for the postal market.

One particular example that CAS believes Ofcom should examine from another sector is that of BT. In June 2021, [BT Home Essentials](#)

<sup>10</sup> [Call for inputs: Review of postal regulation](#), Section 5.46, Ofcom (2021)

<sup>11</sup> [Call for inputs: Review of postal regulation](#), Section 5.52, Ofcom (2021)

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|   | <p>will be launched, offering fibre broadband and call packages to everyone receiving Universal Credit (and certain legacy benefits), covering an estimated 4.6 million households. This follows BT research which reveals nearly a third of Brits feel more financially vulnerable since the start of the pandemic and a quarter of financially vulnerable people worry about being cut off if they cannot pay their bills.</p> <p>CAS recognises that this is Royal Mail’s first attempt at a concession scheme, and we would be happy to engage with them on this issue going forward. Should a new social tariff be created, we believe it is also important that this is effectively communicated and promoted to consumers who may benefit from it. We would also welcome the development of more flexible payment options, for example, monthly direct debit, which may allow consumers to spread the costs of redirection.</p> <p>We also note from Royal Mail’s own statistics that the number of complaints regarding redirections has increased over 2020/21 from just over 15,000 complaints in Q1 (with £49,886 compensation paid) to nearly 22,000 complaints in Q4 (with £101,311 of compensation paid). Ofcom figures from 2019/20 indicate that over 8% of all complaints regarding USO products were on redirections alone, suggesting that the service has problems that require identifying and resolving<sup>12</sup>. Given this, we would appreciate further discussions with Royal Mail and Ofcom on how to better support lower income consumers and vulnerable members of society, and to improve the redirection experience of consumers overall.</p> |
| <p><b>Question 5.3: 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.</b></p> | <p>Confidential? – Y</p>   |
| <p><b>Question 5.4: Do you consider Ofcom’s approach to regulating USO services, including</b></p>  | <p>Confidential? – Y</p>   |

<sup>12</sup> [Annual Report – Complaints and Compensation](#), Royal Mail (2020)

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.

Question 6.1: 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.

Question 6.2: What is the nature and extent of detriment (if any) that consumers may suffer in the C2X or B2C segments of the parcels

Confidential? – N

From our research, campaigns, and discussions over a number of years, it is clear to CAS that the parcel market is not working well for all senders and receivers of parcels. Those that are most negatively impacted are consumers and SMEs based in the Highlands and Islands of Scotland, and those in Northern Ireland.

The cause of such detriment can be attributed to cost, reliability, and availability. We will expand upon this in Question 6.2, but it is clear from the evidence CAS has seen from our research and from stakeholders such as CCNI (Consumer Council for Northern Ireland) and the CPP (Consumer Protection Partnership) that there is a need for transparency about the costs of delivery to rural areas of Scotland. Further information is necessary to allow consumers to understand the reason for any surcharge and why some areas experience higher costs than others. Ofcom has noted previously that there is some uncertainty as to why and how companies draw their boundaries on the map for surcharges to apply. There is also an unfair disparity in these geographical areas in terms of retailers and operators refusing to deliver directly to them at all, compared to other parts of the UK. We have now reached the point where CAS believes further regulation may be needed to ensure minimum standards across the parcels market and prevent ongoing detriment and disadvantage being caused to consumers in Scotland. While we believe that further regulation may be best placed to address the issue of surcharging, we are continuing to work with regulators and other advocacy bodies as part of the CPP on a suite of options to address this issue.

Confidential? – N

Citizens Advice Scotland has consistently highlighted the detriment to consumers and

market? Please provide your views with supporting evidence.

SMEs caused by location-based delivery surcharges in the B2C market. Through our research we have found that consumers living in affected areas pay on average 30-50% more for the delivery of goods bought online than consumers in other parts of mainland Great Britain<sup>13</sup>. This issue also affects Scottish SMEs, with one in four (23%) of those who said they ordered items online for business asked to pay an additional delivery surcharge due to their location<sup>14</sup>.

CAS has found that Scottish consumers and SMEs really care about the issue of surcharging and find it deeply unfair. Previously, 81% of those surveyed at the time disagreed with the statement that people in remote areas should pay extra for delivery<sup>15</sup>. In our most recent polling in April 2021, 59% of those surveyed said parcel deliveries should cost the same across Scotland, even if that means that most people pay slightly more. An additional 14% believed it was unfair that rural mainlanders were paying higher costs but felt it was reasonable for Islanders to pay slightly more. This shows a real disparity between what consumers and SMEs believe and how retailers and operators are conducting themselves.

It should also be noted that consumers do not usually have a choice which operator a retailer chooses to use for delivery, especially as there is limited competition in rural areas. To better understand the causes and rationale for surcharging and the way in which charges are calculated, CAS would seek further information from Ofcom and parcel operators in terms of the processes used to administer tiered pricing structures as this remains unclear from the information published to date.

In recent weeks, it has become apparent that one of the two operators who did not openly surcharge on parcels to the Scottish Highlands and Northern Ireland has now begun to do so. At the time of Ofcom's publication of its Annual Monitoring Report 2019/20, it was believed

<sup>13</sup> [The Postcode Penalty: Delivering Solutions](#), Citizens Advice Scotland (2017)

<sup>14</sup> [Delivering for Business: Scottish SMEs use of Postal Services](#), Citizens Advice Scotland (2018)

<sup>15</sup> [The Postcode Penalty: Delivering Solutions](#), Citizens Advice Scotland (2017)

that *Hermes set uniform prices for delivering parcels across the UK, such that they do not set different standard prices based on location*<sup>16</sup> .

However, CAS has noted that there would now appear to be additional costs added by Hermes to deliver or send from certain parts of the Scottish Highlands. For example, sending or receiving a parcel from places such as Inverness, Lerwick, Portree, or Nairn incurs an additional “remote location” cost. However, other Highland and Island locations such as Fort William, Dalwhinnie, or the Isle of Mull incurs no additional charge. To emphasise the arbitrary nature of this change of policy, under Hermes new price structure, it appears to CAS that it is cheaper for a resident on the Isle of Mull to send a parcel over 650 miles to Truro (Cornwall) than it is for someone in Aviemore to send a package to Inverness, a distance of 30 miles<sup>17</sup>.

Ofcom previously stated that: *even for the locations most likely to be subject to higher delivery prices, online retailers usually still have a choice of at least two operators (and usually a number of others) which do not vary their delivery prices in this way*<sup>18</sup>. With this new information, it would now appear that there is only one operator, that being the USP (Royal Mail), who operates across the whole of the UK and does not apply geographic pricing. With customers and SMEs usually not having a choice in their delivery operators, this means that the parcel market is not providing for effective competition in parts of Scotland as there is only one operator that does not apply a surcharge. Therefore, detriment is continuing to be caused to those in the north of Scotland.

CAS notes the dominant position of Royal Mail, as USP, in the market. Given this and that it now appears that no other operator applies uniform pricing across the UK, CAS considers that the current emphasis on competition in the market is failing to deliver benefits – or provide adequate protections - to Scottish

<sup>16</sup> [Annual Monitoring Update on Postal Services: Financial Year 2019-2020](#), Section 3.33, Ofcom (2020)

<sup>17</sup> This was the situation when checks were made during May 2021.

<sup>18</sup> [Annual Monitoring Update on Postal Services: Financial Year 2019-2020](#), Section 3.37, Ofcom (2020)

consumers. CAS believes that regulatory action must be taken to resolve this long-standing issue for Scottish consumers.

CAS is also concerned about the lack of transparency around the application of delivery surcharges. Customers shopping online report that advertised price structures do not reflect the extra costs they are forced to pay to receive parcels. Concerns have been raised about how late in the buying process people are informed of surcharging, with it often occurring at the payment stage, with no previous indication that this would occur. As this information is not upfront, consumers and SMEs go through the process of buying an item, only to be told very late in the process that a surcharge will be levied. This then leaves the consumer to decide whether to buy the product at an increased price or abandon the purchase.

From our [Fair Deliveries campaign](#) research undertaken by local Citizens Advice Bureau in Scotland, 95% of respondents to that survey stated that they had abandoned purchases, 74% had shopped around for the items elsewhere, and 71% had gone without items, rather than pay the surcharge<sup>19</sup>. Online retailers should make their delivery policy clear from the start of the ordering process so customers can make an informed decision about whether to continue with the purchase or not. CAS believes this would be a beneficial move from all retailers going forward, in an effort to improve transparency for consumers and SMEs. While CAS appreciates that Ofcom's remit does not extend to retailers, we believe more could be done to allow consumers to exercise choice regarding who delivers their product – and to be able to select operators who deliver without surcharges or who can meet any additional needs they may have.

Our [Fair Delivery campaign](#) work undertaken in 2020-21 highlighted the severity of the detriment that rural residents are facing in the B2C market. Alongside surcharging, there is a deep concern in rural communities in Scotland about the high percentage of companies who

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<sup>19</sup> This survey received 126 responses.

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|   | <p>refuse to deliver to their areas. Our campaign survey found that 35% of respondents across the Highlands, Lewis, Moray and Aberdeenshire said that they were regularly refused delivery due to their location and 55% said this occurred a few times a year. In some areas, this refusal to deliver is even higher with Nairn CABs survey results seeing 87% of respondents stating they had been refused delivery because of their location either regularly or a few times a year. In the North-west of Sutherland, 94% of respondents are regularly refused delivery due to their location. CAS are strongly opposed to any such refusals to deliver based on locality and would urge Ofcom to make regulatory changes that would benefit rural residents and SMEs on this matter. One practical solution could be that parcel delivery operators are regulated to provide a more universal service across the UK, in an equivalent manner to how Royal Mail as the USP are.</p> <p>We have concluded that a co-operative and collaborative approach is needed to tackle this issue. As alluded to above, CAS have been working as part of the Consumer Protection Partnership (CPP) on parcel surcharging, and in particular with the Competition and Markets Authority and the Consumer Council for Northern Ireland. The CPP is hopeful of engaging further with retailers and delivery companies to explore and confirm what Ofcom data appears to show, which is that the decision on the setting of any surcharge and this being passed onto consumers sits with the retailer rather than parcel operators.</p> <p>CAS will continue to engage with relevant stakeholders including retailers, regulators, and government representatives to find workable solutions to this issue. As part of this work we will also explore whether the issues would benefit from a formal investigation by the appropriate regulators.</p> |
| <p><b>Question 6.3: How effective are the existing consumer protection measures for users of parcel services, in particular CP 3? Is a change in regulation needed to protect users of postal services (as senders and recipients) and if so,</b></p> | <p>Confidential? – N</p> <p>Having examined the existing measures in place, it is clear that consumer protection measures require updating, even before any regulation changes are considered by Ofcom.</p>   |

**what measures? Please provide your views with supporting evidence.**

This is particularly the case with the current complaint metrics. Despite the number of operators in this sector, it is evident that competition has not driven up market standards.

In our forthcoming report on access to post, we found that some companies are viewed by rural and remote rural residents as having more reliable delivery information systems than others. The condition or quality of goods received on delivery was also an issue for participants. Where damage did occur, the customer service response was variable. Participants said they tried to avoid the companies with the worst track record if their order contained glass or other fragile materials. Ofcom may wish to consider how universal reliability from delivery operators can be improved and how consumers can be better empowered to raise issues regarding delivery failures or damage to goods.

Of those respondents to our recent polling who had cause to complain about postal deliveries (n=296), 37% stated that their most recent complaint was with regards to Royal Mail services, and 26% stated that their issue was with Hermes. No other operator received more than 7%. We recognise that Royal Mail, as the USP, has a significant share of the market. however, we are concerned that the USP is the most complained about parcel operator. This concern is reinforced by Royal Mail's Quality of Service data that has been highlighted in our response to question 5.3.

From our polling, of those who did make a complaint with the operator after experiencing a parcel delivery issue (n=100), 61% of respondents said they were either quite or totally dissatisfied with the response received, compared to 21% who were either quite or totally satisfied. This would imply that the current complaint metrics that operators are using are not meeting consumers' needs.

Our polling asked those who did not complain why this was and respondents gave many different answers including:

- 17% - matter would not be taken seriously
- 7% - were put off as they had complained before and nothing had happened
- 8% - unsure who to approach or how to complain

From this polling alone, it is clear to CAS that the complaint metrics in the parcels market need to be better regulated. Consumers should be empowered to raise and resolve issues and a “no wrong door” policy should be taken by operators, rather than simply deflecting or directing concerns to the retailer.

CAS recommends that Consumer Protection Condition 3 (CP3) should be updated to better reflect the consumer’s needs. For example, CP 3.2 states:

*A postal operator shall establish, make available and comply with transparent, simple, and inexpensive procedures for dealing with complaints of consumers of postal services, which facilitate the fair and prompt settlement of disputes.*

However, this does not appear to be working in its current format. CAS would therefore recommend that the requirements of CP 3.3 be updated to reflect the changed nature of the parcels market and should be applied to all postal operators, not just the Universal Service Provider. This will result in a set minimum standard across the parcels market, including the publication of complaint data, and should provide the consumer with a simple and understandable complaint procedure, no matter who the operator is. CAS believes that this would allow Ofcom, as the regulator, to publish data on quality of service and complaints across the sector in the same way as they do in other regulated communication industries such as mobile and broadband services. CAS also acknowledges the Scottish Government Statement of Principles may be of relevance here and could be linked with any improved complaint metrics.

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| <p><b>Question 6.4: Are there any changes to the universal service obligations required for parcels, such as including tracking for First/Second Class services? If so, please provide your views with supporting evidence.</b></p>                   | <p>Confidential? – N</p> <p>From our research, consumers in Scotland seem happy for tracking to be included as a standard practice on postal deliveries and, therefore, be included in the USO. 42% of those surveyed were happy for all parcels to have tracking, compared to 29% who believe it should remain optional. A further 18% of respondents thought tracking should be only for high value (monetary and/or important) parcels.</p> <p>However, our polling was also clear that consumers are unwilling to pay extra for this, particularly for lower value items. 38% of respondents were against any sort of price increase if tracking were to be included, with a further 40% stating they would only pay more on high value parcels. Only 14% were willing to pay more on all parcels for tracking. This may not come as a surprise to many as consumers can expect tracking as a standard service when using other parcel operators. CAS is of the view that tracking could be included in the USO provided there are guarantees and checks in place that the price of at least the lower value packages does not increase. This would also be beneficial to ensure that vulnerable and lower income users are not priced out of the service.</p> |
| <p><b>Question 6.5: Do you have any other comments on Ofcom’s approach to regulating parcels? If so, please provide your views with supporting evidence.</b></p>  | <p>Confidential? – Y / N</p> <p>N/A</p>  |
| <p><b>Question 7.1: 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.</b></p>   | <p>Confidential? – Y / N</p> <p>N/A</p>  |
| <p><b>Question 7.2: How well is our approach to access price regulation working in supporting access-based competition? Are there any improvements or changes that we should make? If so, please provide your views with supporting evidence.</b></p> | <p>Confidential? – Y / N</p> <p>N/A</p>  |
| <p><b>Question 7.3: Is our current approach to access regulation working well in delivering fair,</b></p>   | <p>Confidential? – Y / N</p>   |

**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.**

N/A

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