

The future of the universal postal service OFCOM: Call for Input

Response from the OFCOM Advisory Committee for Northern Ireland

1. Background

The Advisory Committee for Northern Ireland (ACNI) advises Ofcom on the needs and interests of consumers in Northern Ireland across the broad range of the regulator's work.

The ACNI have actively contributed to previous consultations regarding the regulation of postal services with the overarching aim of ensuring consumers and businesses in Northern Ireland (NI) have access to reliable, consistent and affordable post and parcel delivery services.

The ACNI response to this 'Call for Input' reflects our continuing focus on representing the interests and issues facing consumers and businesses across NI in relation to postal services. We seek to highlight the unique circumstances that consumers and businesses face as well as the needs of those groups with additional requirements or vulnerabilities.

2. Overarching Points

ACNI fully recognise the context for considering the future of postal services. Consumer behaviour and their relationship with postal services has evolved over recent years often facilitated by an increase in digital communication. However, it must be stated that a fundamental reliance on postal services remains in NI, especially for those consumers with additional needs or vulnerabilities.

Undoubtedly, there are drivers for change as demonstrated through a continuing reduction in letter volumes, increasing access to broadband, an increase in services being delivered through digital channels and improvements in digital skills, consumer confidence and proficiency interacting through online channels.

Consumers and businesses in NI place a very high value on the Universal Service Obligation (USO), as illustrated by a range of Ofcom and Consumer Council NI research. Affordability, frequency and quality of service as well as uniform pricing are vitally important attributes.

It is important to remember that although the USO seeks to ensure commonality of approach we cannot look at consumers or the regions through a similar lens. In NI we have high degrees of rurality, the lowest gross weekly income of all regions, less disposable income, lower levels of financial capability and continue to be impacted by cost-of-living pressures. Additionally, unique to NI is that it shares a land border with ROI. Beyond our physical location there are deep personal, community and business links that operate on a cross border basis and this can often increase interaction with and use of postal and parcel delivery services.

The unique circumstances faced by consumers and businesses in NI and how this relates to their dependence on postal services (and acceptance of any changes) should be the subject of further investigation. It is recommended that specific qualitative and quantitative research, supported by stakeholder engagement is undertaken following this initial 'Call for Input' (The [Consumer Research on Post](#) had a limited sample size of 352 for NI).

For any future consultation ACNI expect consumer and stakeholder communication which is clear regarding the drivers for change, the options under consideration, assessed impact on consumers, clear details on how vulnerable consumers will be protected, as well as review and evaluation mechanisms.

As this is a 'Call for Input', ACNI will not be providing a fixed view on the options presented but will set out several observations that should prove useful in identifying a suitable way forward. These are grouped under the following themes 'Universality', 'Consumer Focus', 'Reliability', 'Choice' and 'Sustainability'

3. Universality

ACNI strongly supports the retention of a UK wide one price, one service (USO) obligation. No doubt this is reinforced by our geographic location but there is a fear that any deviation from the USO approach would lead to reduced services to NI, or a more expensive service to NI and quite probably both.

As stated throughout this response ACNI recognise the drivers for change and the need to make reasonable adjustments to parcel and post-delivery. However, NI's geographical position in relation to GB, our experience of parcel surcharging and non-delivery to NI, as well as issues in relation to reliability only serve to emphasise why uniform service and pricing are especially important here.

NI consumers as well as small and microbusinesses have a particular need for the USO parcels service as NI is a part of the UK where there is less competition, and a significant proportion of operators impose surcharges, or have chosen not to deliver. Any reduction to this service (e.g. a reduction in weight limit) would be very detrimental to the aims of the USO in NI.

Affordability continues to be an issue for a significant minority of people in NI where disposable incomes are lower than the rest of the UK - it is likely with the ongoing cost of living crisis this will endure and affect more people. Affordability is a key consideration and in this context safeguards for consumers, including the second class USO letter cap remains vitally important.

Due to the reasons detailed above, and for the record, the ACNI would caution against any approach to introduce regional or postcode-based pricing models.

4. Consumer Focus

It is imperative throughout the review process that OFCOM retains a sharp focus on what consumers, including those with additional needs or requirements, as well as businesses require from post and postal services.

Before any change is implemented OFCOM/Royal Mail should present (for consumers and businesses) a vision for post and parcel deliveries over the short, medium and

longer term. There should be a clear articulation of the impact of any change, what will be different for consumers and businesses, the quality of service they can expect and how they will be supported with any additional needs or information requirements.

It is clear the downward trend in postal letters will continue as the tidal wave of digital transformation accelerates that decline. However, with any “digital first” strategy there remains a duty of care for those who are digitally excluded - those who are not yet ready, able or willing to embrace new technology. It is essential that these people are not further excluded by having a reduced level of postal services. Protections must be in-built within any renewed service model to ensure disadvantage, exclusion or anxiety are not exacerbated due to any change.

Any change to the USO will have a direct impact in terms of the service consumers experience. Legitimacy and acceptance for implementing change can only come through sustained involvement and engagement with consumers including those with additional needs or requirements. Principles of co-design and co-production should be adopted to fully explore and engage with consumers, and particularly those with additional needs or vulnerabilities. Insight to steer these efforts can be gleaned from work already undertaken to identify how best to engage consumers and understand the support vulnerable consumers should receive in regulated markets (e.g. UK Regulators Network).

It is important to stress that consumers and businesses will often embrace change and innovation when they are engaged in the process. Developing an open, transparent process which is inclusive to those with specific needs or vulnerabilities is critical - the ‘how’ is often as important as the ‘why’. In developing proposals to change the USO it will be vital to consider how the needs and concerns of consumers in NI can be understood, appropriately considered, and given due prominence in any decision.

With an undoubted focus on efficiency savings and service levels it is important not to lose sight of the social capital created through the service provided by Royal Mail and in particular the role of delivery staff in helping to build, bridge and link communities. Amidst the financial planning and estimates of efficiency savings it may well be worthwhile to examine the contribution (‘social return’) of postal services and staff at a local community level.

If there are any changes to service levels these must be accompanied with appropriate monitoring, tracking and reporting against clear targets and outputs (outcomes). These targets must include consumer and businesses metrics which reflect the expectations and experience of users. Aligned to this there should be clear actions, requirements and conditions placed upon Royal Mail when targets are not achieved or on track.

5. Reliability

ACNI is of the position that reliability is generally poor for NI in terms of delivery within prescribed timescales and is at best patchy or inconsistent. Members were able to refer to several experiences of unreliable and inconsistent deliveries with examples of areas sometimes being served by only one postal delivery per week.

ACNI accept there is scope to examine frequency levels, but this must fully consider the needs across consumer groups, business and locality. It would seem unwise to continue to push current service levels that do not actually reflect consumers experience or their lived reality. Ultimately, consumers need confidence that they will have a consistent, reliable service with an ‘acceptable’ level of frequency.

If the frequency of delivery is reduced whilst everything else remains the same would represent a missed opportunity. A decision to reduce frequency cannot be looked at in isolation without examining opportunities to drive innovation and additional services – the review of USO should not just be about looking at how to rationalise and reduce but how to innovate and create to secure value, especially through quality and reliability of service.

Many services, including Government and public services have or are considering mandating digital as the primary channel for citizen contact in public services. In NI, a “digital first” strategy is already reasonably mature in central and local government. The health sector in Northern Ireland currently lags behind with most communications (e.g. appointments, prescriptions and notes from doctors) continuing to be postal-driven. As a major stakeholder which currently makes massive use of paper letters, it will be vital to seek the opinion of HSCNI on any proposed changes to the USO.

Any consideration of a new USO model must assess the capacity and commitment to customer service that will be required to deliver a consistent, predictable and sustainable quality of service that would be acceptable to consumers and businesses alike. Any move toward a reduced frequency of delivery must be developed alongside robust monitoring and reporting frameworks to provide confidence that service levels are being achieved.

It would be unacceptable, especially given the cost savings that would be realised, for consumers not to receive the consistent quality of service intended.

6. Choice

Consumers see innovation and service improvements provided by other operators, especially in the parcel delivery market where competition has significantly increased over recent years.

It is imperative for Royal Mail to identify improvements and innovations within their own business model to improve customer experience. ACNI remains interested in service innovations that could better meet the needs of vulnerable groups, such as those who need an address to receive mail reliably and without risk. Any change must improve existing levels of reliability and ensure people can make informed choices, as well as protecting people who are particularly reliant on postal services.

If changes are made to the types of service, pricing, frequency or standards provided by Royal Mail it is essential these are supported by Public Information Campaigns and consumer information. Many consumers may be used to existing USO service levels and will require information and support to understand how this will impact on their relationship with postal services.

Any new options or delivery timescales that may become available to consumers will impact the options that are available to them. Timely support will be required to ensure people understand any changes or new options. Focused information and support will be required for people with additional needs or specific requirements. Many of these people may be more dependent on postal services and any change to service levels could lead to anxiety.

7. Sustainability

A clear driver for the changes proposed is to secure increased operating efficiencies for Royal Mail. If we accept that these efficiencies are achievable it is essential that subsequent reporting demonstrates the efficiency gains across the UK with a specific focus on reporting at a regional level.

Without this level of reporting, it will not be possible to fully understand how efficiency savings impact on the delivery services across the regions. Ofcom has an important role to play in ensuring that this level of granularity is embedded within the reporting framework from the outset.

There is a need to look at service innovations and potential developments within the market to support financial sustainability. There must be a combined focus on efficiency *and* value for money. For example, bulk mail companies play a key role in supporting the commercial viability of Royal Mail. Therefore, it is critical to achieve a sustainable model to enable bulk mail companies play their role in the market.

OFCOM consumer research demonstrates that consumers care about environmental sustainability and the link to delivery of postal services. Ensuring environmental goals and reporting on environmental performance is accurate and comprehensive is critical.

Any adjustment to frequency such as the requirement to provide “next day” delivery could provide opportunities for more environmentally conscious delivery methods. For example, it may not be necessary for Royal Mail to use (or at least reduce dependence) air delivery to Northern Ireland and instead could use ferry to greater effect to offset carbon emissions.

ACNI trust this submission will provide a useful contribution to ongoing considerations regarding the future of postal services and USO. We look forward to continuing engagement including the formal consultation on proposals.

Advisory Committee for Northern Ireland
April 2024.