

Ofcom - Call for input: The future of the universal postal service

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(Link to consultation page: <https://www.ofcom.org.uk/consultations-and-statements/category-1/the-future-of-the-universal-postal-service>)

Consultation paper: https://www.ofcom.org.uk/data/assets/pdf_file/0027/275823/The-future-of-the-universal-postal-service.pdf

22nd March 2024

To whom it may concern,

Call for input: The future of the universal postal service

The Scottish Grocers' Federation (SGF) is a trade association for the Scottish Convenience store sector. There are 5,171 convenience stores in Scotland, which includes all the major symbol groups, co-ops and convenience multiples in Scotland. SGF promotes responsible community retailing and works with key stakeholders to encourage a greater understanding of the contribution convenience retailers make to Scotland's communities. In addition, Convenience stores are known to be economic multipliers and an important source of local employment, providing over 49,000 jobs in Scotland ([Scottish Local Shop Report 2023](#) (SLSR23)).

Convenience stores trade across all locations in Scotland, providing a core grocery offer and expanding the range of services in response to changing consumer demands close to where people live. For example, **36% of convenience stores across the UK operate in rural areas**, providing a hub for range of essential lifeline services for their communities. In 39% of cases local convenience stores are the only shop in the immediate area, with no other retail/service business close by. Our findings show that **alongside post offices, convenience stores are among the top three most valued local services by customers** (SLSR 2023).

According to our Local Shop Report 2023, the valued services provided by local shops include **Post Office services (27%), a parcel collection point (28%)**, free-to-use cash machines (47%), and bill payment services (76%) (SLSR 2023).

In many cases, the availability of a local postal service encourages footfall and is an important part of the offer available for convenience customers. As well as encouraging people to shop locally, with a knock-on benefit for other local businesses and high street shopping centres, creating a multiplier effect. This is particularly true for many rural, remote, elderly and deprived communities. Including many vulnerable individuals and households.

With the UK convenience sector expected to grow to £50.9bn by 2026, the sector is more relevant than ever to every type of customer and has key social benefits and is of key economic value to the economy. Over the last year, the UK convenience sector contributed over £10.6bn in GVA and over £9.1bn in taxes.

Nevertheless, many stores are operating in an extremely challenging trading environment. Issues such as the cost-of-living crisis, retail crime, higher than usual energy prices, increased inflation and interest rates and a cumulative burden from recent government regulation have significantly added to the cost of doing business and put additional pressure on the budgets of both customers and businesses.

SGF welcomes the work carried out by Ofcom, Royal Mail and Post Office to ensure that individuals and businesses can continue to access a universal postal service in the UK. Likewise, we understand that consumer behaviour has changed rapidly in recent years and while demand for letter mail may have decreased, partly through online communication, parcel delivery is now critical to modern life.

Nonetheless, SGF believes that **fast and reliable letter mail remains an essential service** for many communities and the businesses that operate within them.

SGF welcomes the opportunity to respond to the Ofcom call for input on the future of the universal postal service and have provided some specific remarks below.

Call for input

Many independent convenience retailers are sub-postmasters or postmasters and operate Post Office services from their store. While these local facilities may be open on either a part-time or full-time basis, they form part of the 'full basket' basket that convenience stores provide and are an essential service for many communities and businesses. Particularly in rural and remote areas.

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As stated above, SGF recognises the need for Ofcom and Royal Mail to review the USO in order to remain viable and we welcome the commitment to improve both the efficiency and the reliability of the universal postal service. Indeed, some SGF members report that the reliability and standard of service provided by Royal Mail service has declined in recent years.

Consistency and reliability of service is vital for those operating a Post Office. Items 'going missing', 'unreliable service' and 'customs documentation' are among the issues that have been cited.

For example, some SGF retailers report encouraging customers or businesses sending parcels to consider using Parcelforce as an alternative. A service that is often offered alongside Royal Mail. SGF has been informed by members that the Parcelforce service is often more consistent and reliable.

According to information provided by SGF members, some local distribution centres, particularly in rural areas, are already operating a reduced service. Alternating the days on which letters and parcels are delivered to households and businesses. Which may be a result of postal staff shortages in the local area.

Likewise, SGF has been made aware that the relative loss in revenue to postmasters, due to various service disruptions in 2022/23, has been significant. Where the £500 compensation provided fails to cover the experienced shortfall.

For those reasons we are generally supportive of the proposal to reduce the number of days that letter mail is delivered and reduce the speed of the 1st and 2nd class service on offer. With the understanding that the savings made by Royal Mail will be used to significantly improve the reliability of the service and keep costs down for customers.

As such, SGF is content for a the USO to allow for a slower rate of delivery of up to three days for first-class and our preference would be for the delivery service of letters to remain at five weekdays, rather than three alternate days.

It is usually the case that a first-class items posted on a Saturday would be delivered on the following Monday. The reduction in this service level by Royal Mail may see a potential drop in

demand and footfall at certain times. Especially among customers that are not able to reach a Post Office through the working week, or those who wish to post urgent items over the weekend.

Similarly, we are aware that the reduction in letter service will have an impact on both the convenience sector and the cost of business. It is therefore critical that these changes form part of a process of improvement for Royal Mail, rather than the first step in reducing or withdrawing other services.

For instance, SGF would strongly disagree with any proposal to reduce the number of days parcels are collected from stores and we would be concerned with any further increase to postage prices for customers or a further reduction in the share of income for retailers and postmasters.

With regard to parcel collection, it is important to recognise that storage space in many local shops is at a premium and items waiting to be collected must be stored safely and securely alongside regular stock. Which may include backroom areas where other activities are taking place such as food being prepared, and office tasks being carried out.

For example, some SGF members have reported that the busiest two days for catalogue returns are on Saturdays and Mondays. Therefore, between the last collection on Friday afternoon, the next collection would not be until Monday afternoon (72 hours).

This could result in a significant and unmanageable quantity of items awaiting collection, within the store. Taking up valuable space within the shop that is required for stock.

In addition, while the volume of letter mail has decreased, there will always be a requirement for businesses to be able to send urgent physical documentation. For instance, information required by solicitors, accountants, or other authorities. While we recognise that under the proposals a service similar to 'Special Delivery' will remain available to customers and businesses, the cost will be substantially more than the current price of a first-class stamp. Over the course of a financial year, and multiplied across the sector, this could result in an unwelcome additional cost to operating a business.

In light of the economic headwinds facing the UK at this time. Businesses in the convenience sector supply chain no longer have the capacity to absorb additional operational costs. Hence, they are inevitably passed onto customers, further impacting inflation and the cost-of-living crisis.

Therefore, we would encourage Royal Mail to ensure that next day services can be accessed at a reasonable price for those that require them.

SGF welcomes the opportunity to respond to this consultation and hopes Ofcom and Royal Mail will find the information provided in this response useful.

Yours sincerely,

Jamie Mackie

Policy and Public Affairs Officer (Scottish Grocers Federation)

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- SGF gives permission to Ofcom to publish its consultation response in full (name and organisation included) and to share this response internally as required.
- SGF is also content to be contacted again in the future, in relation to this consultation exercise.