

Your response

Question	Your response
<p>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.</p>	<p>Introductory Comment: The Advisory Committee for Scotland (ACS) is one of a number of committees and advisory bodies, established under the Communications Act (2003) to inform the work of the Ofcom Board and Executive.</p> <p>The ACS is one of four committees representing each of the UK’s nations, specifically to <i>‘advise Ofcom about the interests and opinions, in relation to communications matters, of persons living in Scotland.’</i></p> <p>Therefore, in the responses below, comments highlight specific considerations particular to Scotland wherever possible.</p> <p>This submission draws on the knowledge and expertise of ACS members and is informed by our individual experience and through discussion at our meetings. It does not represent the views of Ofcom or its staff.</p> <p>Ofcom’s overall regulatory approach for the regulation of postal service currently remains satisfactory.</p> <p>However, 2022-2027 is a long time and as the past year has shown great changes can take place very quickly. The trend towards online shopping, digital communication and the decrease in letter post have been greatly accelerated by the pandemic.</p> <p>We recognise that these changes may push Royal Mail and its regulator into changing the USO service laid down in law. However we would urge Ofcom to continue to support the current level of service imposed on the operator.</p> <p>Although letter post has been dropping, this is the service that remains important to older</p>

and more vulnerable consumers. The impact of any change could disproportionately affect Scotland due to the difference in its demographic make-up. Rural Scotland has a higher percentage of 'older smaller' households, where one or both adults are of pensionable age, compared to the rest of the Scotland and the UK as a whole. For these consumers, post provides a social value. As reported in Ofcom's 2020 Review of Postal User Needs '*A significant portion of users would feel cut off if they could not send or receive a letter (40% agree) or parcel (36% agree) almost every day. In general, older users seem more dependent on letters.*'

For those households already separated by the digital divide, the postal service also remains an important link for key communications. Bank statements, benefit information and vaccine appointments are just some examples of communication that many of these consumers receive by post.

The increase in parcel delivery has also further accentuated the problem of geographic surcharging which has particular impact on rural and island Scotland.

Whilst we recognise that Ofcom's power in relation to specific aspects of parcel delivery outside of the USO framework is limited, we believe it is important to consider this development within the sector when considering the next 5 years. It is also important to the ongoing sustainability of the postal service, as this element of their service is an important part of their transformation plan. Ofcom therefore needs to take their position in the parcel sector into consideration in future regulation.

The pandemic has shown however that any future regulatory approach needs to be flexible enough to respond and adapt quickly, if required.

The impact of Covid 19 alongside use of furlough also means that service levels have been negatively affected. There is particular concern that not enough scrutiny is placed

on the quality of service, in particular in geographies such as Scotland's Highland and Islands. For example, the use of a first class service to these communities seems inappropriate when very similar logistics are used for both first and second class. The route of mail being processed through a mail processing centre in Glasgow, Aberdeen and Inverness, then through a 'local' sorting depot would seem to be the same whether a first class letter or a 2nd class letter is being sent, and the only way for Royal Mail to create a differential in service is to slow the 2nd class mail down.

A first class service remains very important but more clarity should be pursued around the reality of the service levels of 1st and 2nd Class mail in these communities in particular.

Rural communities throughout Scotland can have connectivity challenges in other areas of communication, producing a cumulative and negative effect on households and small businesses. This increases personal and business isolation, It can also produce an increased reliance on postal services and on the extended community contribution that the postal service can deliver to these areas. It is important that any regulatory approach does not always consider postal communication in isolation and should be aware of the communication interdependencies that can exist within these rural communities.

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.

Sustaining the universal service depends on Royal Mail's successful implementation of its transformation plans and ability to operate a more efficient parcels network in future. These two elements need to be considered in Ofcom's examination of financial sustainability.

In terms of monitoring, the EBIT measure of Royal Mail accounts is one way of ensuring ongoing financial sustainability. It is clear, however that Royal Mail is very

	<p>aware of the measure and can present its accounts to ensure that the necessary financial stability is demonstrated. We would encourage Ofcom to work with the Postal service to deliver regulation transparency in monitoring and which allows the financial stability that the service requires.</p> <p>However, the service must also deliver an efficient service for consumers and this too should be an important metric. We recognise that this is much more difficult to measure. The relatively fast moving change in parcel and letters traffic volumes means that it extremely difficult to create accurate efficiency measures.</p> <p>Comparison with other postal providers of similar size in Western Europe would be useful. Together with regular consumer and qualitative research.</p>
<p>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.</p>	<p>Ofcom’s own findings within their Review of Postal User Needs 2020 demonstrate that there was <i>strong support from users for core features of the USO. This included maintaining the principles of universality. Users strongly endorsed a universal price and service across the UK. Users supported a service that was affordable and offered value for money, was certain and reliable, had delivery to the door and continued to provide a broad range of services.</i></p> <p>We believe that Ofcom should continue to ensure that the postal service delivers the service as requested by users</p> <p>We also support the work of Citizens Advice Scotland in the area of postal advocacy. In their 2021/22 Plan of Work, they recognise that <i>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</i></p>

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.

It is therefore important that the USO is truly universal for all of Scotland.

We look forward to working with CAS through 2021 and into 2022 when Consumer Scotland becomes fully established and takes on the role of postal advocacy.

It therefore remains important for Ofcom to ensure affordability. When searching Royal Mail's web site for appropriate pricing information, it is can be difficult for consumers to find. The complexity and availability of services could lead members of the public confused and pay higher rights than needed.

Simplification within service offerings is an important part of the USO and should be examined more closely.

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.

Yes, this is an important service and Ofcom should continue to scrutinise price levels and service levels

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.

Special consideration and measures should be sought for USO as it pertains and behaves at the extremities of the Royal Mail network. Royal Mail could point to % of letter and parcels being delivered on time, but the relatively small number of outliers again in the Highlands and Islands of Scotland would not appear as problematic in a UK measurement scheme. If the vast majority of service issues are related to outlying parts of Scotland then the USO is not being delivered. There is need to create greater visibility in a regional or Scottish context.

Question 5.4: Do you consider Ofcom's approach to regulating USO services, including 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.

Again the complexity of offering and Royal Mail's seeming inability to provide clear, concise information could lead members of the public and SMEs to be confused about the costs associated with pricing and service levels.

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.

The impact of Covid 19 and Brexit has caused deterioration of service levels, particularly in parcels internationally.

This has meant that Royal Mail can be slow to answer queries on progress of parcels. An example of this is the incident of a parcel which is currently in the Midlands supposedly on its way to Amsterdam, many queries have been unanswered, nor a recognition that in this case Parcelforce was responsible for the seemingly lost parcel.

The original package was sent via a Glasgow post office in January with the goods yet to reach Amsterdam in late April. Attempts to claim compensation have proved extremely challenging with complaints department consistently 'buying time'.

	<p>A lengthy interrogation has taken place but no satisfactory outcome.</p> <p>To be a world class parcel service, Royal Mail will need to ensure an efficient, accessible to all and transparent way of dealing with issues. We refer to the future requirement of an easily accessible tracking system for Royal Mail in our response to 6.4 but this is a necessity if delivering a consumer focussed service.</p>
<p>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 market? Please provide your views with supporting evidence.</p>	<p>Again, it is important that households and businesses in the Highlands and Islands of Scotland, in particular, do not suffer degradation of service or price disadvantage or penalty.</p>
<p>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, what measures? Please provide your views with supporting evidence.</p>	<p>See response to 6.2</p>
<p>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.</p>	<p>Other postal carriers around the globe have tracking systems for both parcels and letters. If Royal Mail truly wish to be world class, then a pursuit of a transparent end to end system of item tracking should be introduced.</p> <p>Ofcom should seek insight if Royal Mail are planning the introduction of such a system as it is now an expected part of any parcel service.</p>

<p>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.</p>	<p>We support CAS and other bodies in their drive for more effective regulation of the parcels market in the UK.</p> <p>Scotland is disproportionately affected by the variation of cost and service within the parcel sector. Some suppliers won’t deliver to certain postcodes whilst others impose surcharges. Ofcom has a contributing role to play in establishing a level playing field within this sector, ensuring the Scottish consumers do not continue to be adversely affected</p>
<p>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.</p>	<p>Access regulation remains satisfactory, although the introduction last year of additional letter services with a range of service levels did little to provide clarity of service offerings nor of appropriateness of service offering</p>
<p>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.</p>	<p>There is a long running question of downstream access companies flipping between zonal and national service and therefore pricing rates. This would superficially appear to be reasonable, however, the practice takes place often with the end customer, whether it be a large business, local authority or SME, unaware that the postal company is doing this and keeping the margin made by flipping the service between nation and zonal or vice versa.</p>

Question 7.3: Is our current approach to access regulation working well in delivering fair, 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.

Access regulation would appear to be in general working, however the trend in placing parcels as a focus is not just a Royal Mail strategy. Royal Mail's competitors are also focussing on increased parcel traffic taking some focus away from the diminishing letter market.

There is a possibility that over the next five years there will be diminished interest in the letters market. As expressed in our response to 3.1, we believe that this is a threat to those more vulnerable groups. However, the shift in the market to hybrid mail should compensate.