



# **Review of the literature and policy on the UK postal market – parcels briefing**



**For Consumer Scotland**  
Final briefing paper | 21<sup>st</sup> August 2023

# Introduction

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1. Consumer Scotland commissioned EKOS Ltd to undertake a literature and policy review of the UK postal market, with the research undertaken between March 2023 and August 2023. A workshop with stakeholders across the UK postal sector was held on 27<sup>th</sup> June 2023 to discuss the findings of the research, their implications, and to examine ways forward.
2. This briefing paper on the parcels market highlights themes that emerged from the research, including:
  - Regulation and meeting consumer needs
  - Parcel surcharging
  - Consumers in vulnerable circumstances
  - Ensuring access to post office services
  - Net zero
3. The research findings and issues for further consideration will be used by Consumer Scotland to inform its advocacy work in relation to the postal market in Scotland, and for ongoing discussions with stakeholders.
4. This briefing paper sits alongside a main report and a briefing paper on the letters market which have been published separately.

## Regulation and meeting consumer needs

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5. The parcels market in the UK has changed significantly in the last decade, not least as a result of external market pressures such as the coronavirus (COVID-19) pandemic and the UK's exit from the European Union (EU).
6. Unlike the letters market, the parcels market is highly competitive and growing. There are several established parcel delivery operators in the UK - Royal Mail continues to have the largest market share by volume and revenue, followed by Amazon and Evri (formerly Hermes) [1].

7. Much of Royal Mail's competition is in the parcels market rather than in the letters market. Ofcom reports that Royal Mail is "by far" the main player in the Consumer to Anywhere (C2X) parcels segment (rather than in the Business to Consumer (B2C) segment) and that Royal Mail faces "limited competition, particularly for lower weight parcels" [2] [page 43].
8. Many consumers have continued to benefit from increased competition in the parcels market – competition can offer greater choice, speed, convenience, and flexibility for consumers.
9. New models and wider retail trends have also been a key feature of the parcels market. This includes growth in 'Click and Collect' services, same day delivery, track and trace, and the continuation of the second Mails Distribution Agreement [3] which now allows Post Office Ltd to work with other parcel companies over and above Royal Mail (for example, Amazon, DPD, Evri) [4, 5, 6].
10. Factors such as delivery to the recipient's door, proof of dispatch and delivery, a guarantee that the parcel will arrive on time, and cost continue to be important considerations for consumers when choosing a postal and parcel delivery provider or service [7].
11. Royal Mail's business recovery, transformation and growth programme aims to modernise and transform the business (including infrastructure and working practices) which they suggest is to better meet changing consumer needs and to shift the balance of focus towards the growing parcels market. Points to note in relation to this include that:
  - Falling letter volumes, alongside increasing parcel deliveries, meant for the first time in Royal Mail's history, the first six months of the financial year 2019-2020 saw revenue from parcel deliveries grow beyond that of letter deliveries [8]. The divergence in revenue derived from parcels and letters continues to grow
  - The parcels market experienced significant growth in 2020-2021 - 4.2 billion parcels were sent in the UK (up 48% on the previous year) [9], and Royal Mail's Annual Accounts also confirm these broad trends in the letters and parcels market (in terms of both volume and revenue) [10]
  - Royal Mail's most recent financial results show the company made a loss of £1 billion in financial year 2022-2023 compared to a £250 million profit the previous year, largely due to changes within the postal market [11]

12. The way consumers use postal services has indeed changed over the last decade. Data and research shows that:

- There has been a structural decline in the letters market. UK total addressed letter volume was 20 billion in 2005 and has since declined to around 7.5 billion in 2020 [12]. Furthermore, letter delivery volume has declined 25% since the pandemic [13]
- There has been continuous growth in the parcels market. Online shopping was fast becoming a preferred way to shop for consumers, and the trend was accelerated during the pandemic. Internet sales as a percentage of retail sales in Great Britain was 10.3% in March 2013, 22.1% in March 2020 and 34.4% in March 2021. It declined slightly in March 2023 but remains high in historical terms at 25.5% [14]
- Ofcom's latest Residential Postal Tracker and SME Business Postal Tracker (2022 data) [15] and other consumer research, confirms that consumers including SMEs now typically send more parcels and less letters – and that many consumers are reliant on postal services for sending and receiving parcels
- The shift to online shopping and increased reliance on parcel delivery is also reported to reflect wider factors such as the location and physical accessibility of shops, because online shopping may be cheaper and more convenient, or that it is the most suitable (or only) option for some consumers [16]

13. Unlike its competitors in the parcels market, Royal Mail is bound by the Universal Service Obligation, and this limits the extent of freedom the company has. This makes it more difficult for Royal Mail to be fully competitive in the parcels market. Royal Mail, through its business recovery, transformation, and growth programme, continues to explore ways to change how the company operates and has also approached the UK Government to move to a minimum five-day delivery service for letters (instead of the current six-day delivery service) [17].

14. Although legislation and Ofcom (as regulator of UK postal services) sets out what must be provided under the universal postal service, the regulatory framework allows for autonomy and commercial flexibility in how Royal Mail goes about achieving the objectives. This includes autonomy in price setting and flexibility on operational decisions.

15. In relation to UK postal services, Ofcom focuses much of its regulatory activity on Royal Mail as the universal service provider (for example, through annual delivery targets and a safeguard cap on second-class stamp prices). Ofcom has responsibility to monitor the performance of Royal Mail in line with current legislation and must carry out its regulatory activity in a way that secures the universal postal service.

16. While Royal Mail is regulated by Ofcom, there is not currently regulated minimum standards for all parcel delivery operators.
17. Ofcom has an on-going duty to keep the functions it carries out under review, and since taking up the role of regulator of UK postal services in 2011, has undertaken three such regulatory reviews. The most recent Review of Postal Regulation (2022) aimed to: improve protection for consumers; support the financial sustainability and efficiency of the universal postal service; and promote competition in the postal market [18].
18. Ofcom concluded that the current regulatory framework is working well and meeting the need of consumers - “Consequently, we have decided that a root-and-branch review of the framework is not necessary, and so will continue the current approach. Our decisions made in this review to modify the framework seek to strengthen the existing framework, targeting additional regulatory intervention only where we have direct concerns over consumer harm and to allow us to discharge our duties more effectively in relation to the financial sustainability of the universal postal service” [page 3].
19. The changes proposed by Ofcom for the current regulatory framework period 2022 to 2027 include:
- The provision of additional guidance for complaints handling - all operators must have a simple and transparent complaints process in place
  - All postal operators must have policies and procedures in place to ensure disabled customers can communicate their delivery needs to them, and firms will need to ensure couriers will meet those needs when delivering parcels [19]
20. These changes are considered a positive step by statutory advocacy bodies for postal consumers. Indeed, both issues continue to emerge within the existing research as having the potential for consumer harm.
21. While the research shows that a majority of parcels are indeed delivered successfully [20, 21], it also continues to highlight the scale and impact of parcel delivery issues which appears widespread and affects consumer confidence, trust, and expectations.
22. There are reported to be a range of consumer issues along each stage of the consumer journey: ordering; delivery; complaint; and returning [22, 23, 24] - for all consumers, and in particular for those who may be more reliant on online shopping (for example, disabled people, people with long-term health conditions, those who live in remote and rural areas).

23. Common points to emerge from the research base include that [25, 26, 27, 28, 29]:

- The structure and complexity of the parcels market limits the choice of consumers about their parcel delivery options - online retailers decide which company delivers the parcel, and consumers are not able to choose their preferred parcel delivery company or avoid a company that they have had a prior bad experience with
- The information provided when ordering online does not always meet consumer needs – some consumers report that they did not receive information on, for example, consumer rights, how to specify additional needs, estimated delivery time, and how to report a problem
- The main issues with deliveries include late, delayed, or damaged parcels, consumers being told the parcel has been delivered when it has not, and parcels left in insecure locations
- Consumers can also find the process of making a complaint, or contacting the parcel company, challenging – for example, difficulties finding contact details and establishing contact with the complaints department, information on websites is not always consumer friendly, a lack of response or resolution, and complicated or difficult to access redress systems (such as compensation)
- Consumers can face additional problems, cost (time and money) and increased stress and anxiety when they do try to fix a parcel delivery issue – indeed, not all people try to fix a problem as they think it will resolve itself or that trying to fix it may be too much hassle, not worth it, be too difficult, take too long to fix or that the matter would not be taken seriously
- Despite The Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 [30], which provides consumers the right to return items they no longer want (for any reason) up to 14 days from when the goods were received, many consumers find the returns process difficult – for example, refund delayed or denied, had to drop off the parcel at an inconvenient place, had to stay at home to have the parcel collected, or a lack of Pick-Up Drop-Off (PUDO) points
- While the parcels market has seen considerable growth in the B2C segment in recent years, C2X services will continue to be important for the UK's many micro businesses, SMEs and marketplace sellers

24. Issues within the parcels market are further reflected in research which shows variable levels of consumer satisfaction with the quality of service delivered by parcel operators (for example parcel league tables) [31, 32, 33, 34]. The research suggests that service quality in the parcel delivery market is not consistent, and that poor working practices may also pose a risk to the security of post (for example, increased risk of theft, loss or damage of parcels). There is also variable levels of consumer satisfaction on the most popular second hand online marketplaces (for example, Vinted, Facebook Marketplace, Gumtree, eBay, Amazon Marketplace) [35].
25. Stakeholders raised wider points when considering consumer issues with the parcels market, including that:
- Technology has driven the consumer experience both from the demand and supply side, and that the UK is considered ahead of most of Europe in this regard
  - The issues consumers experience across the parcel journey typically rest with different stakeholders – for example, retailers (ordering stage), parcel delivery operators (delivery stage) – and there is considered to be a lack of awareness among consumers of the complexities of this process
  - Consumers may have unrealistic expectations - consumers are becoming more demanding when it comes to getting their purchases delivered, with growing numbers expecting a service that is both free and fast
  - There is a need to both debunk the myth among consumers that parcel delivery is free and to increase understanding of the complexities of the parcel journey/process. This relates to an earlier point around the increasingly unrealistic expectations among consumers who want their parcel deliveries free and fast (the availability of free shipping continues to drive online purchase behaviour and it becomes a battleground for retailers to offer free delivery). Managing expectations is considered vitally important as is increasing awareness of the true cost of delivery
26. There has been a range of activity undertaken and guidance provided to increase awareness and understanding among consumers of their and the operators' rights and responsibilities regarding post and parcel delivery [36, 37, 38, 39]. This has largely been with a view to making it easier for consumers to get things sorted when something does go wrong.
27. Work continues to be undertaken to help improve and ensure equal access to parcel delivery for disabled consumers and best practice complaints handling. The changes proposed by Ofcom for the regulatory framework period 2022 to 2027 will take time to bed in - time will tell what impact they will have for consumers, or whether Ofcom may require to take enforcement action or further tighten regulation.

28. The Annual Monitoring Update Reports published by Ofcom and future consumer research will be important sources of intelligence to keep a watching brief on these consumer issues.
29. An overarching regulatory principle of Ofcom is that it will “operate with a bias against intervention, but with a willingness to intervene firmly, promptly and effectively where required” [40] [page 3]. Statutory advocacy bodies for postal consumers are of the view that Ofcom has at times been slow to step in - they consider proactive regulation and enforcement important to: tackle the root causes of consumer issues in the parcels market; ensure these issues do not become engrained; address existing detriment to protect consumers; and prevent further harm from developing.
30. Such organisations often conclude that the parcels market is not working well for consumers, that the parcels market and operators do not always work or act in the best interest of consumers, and that more action is needed to deliver improved consumer outcomes. For example, there are wider calls for:
- A more proactive regulatory approach to the postal market by Ofcom, including the introduction of safeguards and regulated minimum standards for the parcels market - to ensure consumers are adequately protected and to foster a culture of continuous improvement among operators. In relation to safeguard caps more generally, Ofcom periodically reviews whether stamp prices should be capped to make sure the universal service remains affordable (and Royal Mail can recover its costs). The outcome of the current Ofcom consultation - Review of Second Class safeguard caps 2024 [41] - will be important in this regard and will be known by the end of 2023. While Ofcom proposes that some safeguards be retained, some changes to current arrangements are proposed. Among other things, this includes removal of the safeguard cap from parcels. Ofcom notes that competition in the parcels market has and will likely continue to increase and that the safeguard cap limits Royal Mail’s ability to raise prices and has led to its prices reducing in real terms. Ofcom proposes that Royal Mail’s parcel services should no longer be subject to a safeguard cap, but that Royal Mail would, however, continue to be required to set a single price for these services across the UK (and that these parcel services would remain subject to the general requirement for universal services to be affordable)
  - Ofcom could require operators to publish complaints data (for example, the number of complaints received, types of issues experienced, consumer outcome measures and how operators will address root cause issues) to improve transparency and accountability, reduce the root causes of consumer complaints and improve the consumer complaint handling experience
  - Ofcom could extend penalties to all delivery firms (that is, not just Royal Mail) to make sure that they take appropriate measures to keep mail safe



- Ofcom could extend consumer protection rules to cover all delivery companies (that is, not just Royal Mail) to ensure all consumers receive the same level of service if something goes wrong
- The remit of the newly announced Single Enforcement Body could be widened to include the power to determine working status (for example, delivery drivers often have insecure employment conditions which can lead to poor practice)
- Parcel delivery operators could clearly publish accessibility information about their PUDO points online – so that consumers can choose from a range of locations and factors that fit in with their schedules and commitments

## Parcel surcharging

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31. A further regulatory tension relates to the issue of parcel surcharging – as noted above, while Royal Mail is regulated by Ofcom, there is not currently regulated minimum standards for all parcel delivery operators.
32. The consumer issue of non-proportionate or unfair parcel delivery surcharging is also long-standing. Parcel surcharging and the lack of transparency about the costs of delivery to affected areas continues to be a source of frustration for consumers (including SMEs) in rural and remote areas (but the issue is not limited to rural areas).
33. Indeed, there have been various debates, discussions, inquiries, and meetings (as well as many questions asked by MPs) on parcel delivery surcharging at a UK Parliament [42, 43 44, 45], Scottish Government [46] and Scottish Parliament [47, 48, 49] level over the years. Points to note from across the existing research base includes that [50, 51, 52, 53, 54, 55, 56, 57, 58]:
  - Consumers living in the Highlands and Islands of Scotland and in Northern Ireland are most acutely affected by unfair and excessive parcel delivery surcharging and are said to be paying a “premium” for home delivery. Some consumers say that they do not receive any information about location surcharging at the time of making an online purchase
  - Consumers in these areas can be subject to high, disproportionate, and/or at times inconsistent surcharges, longer or slower delivery times, and being subsequently excluded from “Free UK delivery” and “next day delivery” claims on retailer websites. Information around parcel surcharging could be more transparent. A range of factors are said to be important considerations for delivery companies, including logistics (for example, lower delivery volumes) and uniqueness of geography (for example, difficulties accessing destinations and long distances for drivers to travel)

- Some parcel delivery charges are reported to not accurately reflect the true costs of delivery. Various factors are said to be at play, including: the use of third-party couriers that drives up costs; that it has become standard industry practice to raise prices unduly for certain areas or postcodes; and that current postcode mapping does not always accurately reflect location information
  - Parcel purchasing has a wide range of potential implications and knock-on effects for consumers living in those areas affected by parcel delivery charges. For example, additional costs, it makes price comparison difficult, it reduces and restricts choice, consumers are prevented from realising the potential benefits of online retail, some consumers abandon purchases and/or go without items (rather than pay a surcharge), and some consumers are put off from shopping online
34. The Scottish Parliament Information Centre (SPICe) has gone a step further and estimated the additional cost to Scotland of parcel delivery surcharges relative to the rest of the UK for each of the four years to 2020 [59, 60, 61, 62]. SPICe report that this has been on an upwards trajectory (£36.3 million in 2017 and £43.1 million in 2020). Further, SPICe note that there are a number of factors at play, including growth in online shopping and the uprating of prices for inflation. While they suggest surcharging affects parcels of all sizes, the majority of the additional cost relates to parcels that are 30 kilograms (or more). Wider research notes that many different factors also affect online delivery surcharges, including: type and size of retailer, lack of control over delivery costs, parcel operators used, and handling charges [63].
35. A range of action has been taken historically to help address this issue – a few examples include:
- Scotland - Statement of Principles [64]; Fairer parcel deliveries: action plan [65] and one progress statement [66]; independent analysis - an econometric analysis of postal delivery pricing in Scotland [67]; Fair Delivery Charges campaign 2020-2021 [68]; an online data hub and interactive parcel delivery map (Fairer Deliveries platform [69] - now closed); Menzies Parcels developed Highland Parcels [70] to provide a unique service to customers in the Highlands and Islands of Scotland to avoid unfair parcel surcharging; the Scottish Government continues to work with resolution organisations such as Resolver [71] to ensure that they are aware of routes available to any of their clients complaining about parcel delivery charges, and funds the Consumer Advice Scot website [72] - a one-stop-shop for practical and impartial advice on resolving consumer problems, including delivery issues, and information is shared with regulators where appropriate
  - UK - the UK Government Parcel deliveries: best practice guide [73]; the Delivery Law UK website which provides a one-stop-shop for advice and reporting on delivery surcharges, restrictions, and free delivery [74]

36. Our sense from stakeholders is that some progress has been made in this area, and that it is becoming less of an issue (for example, local solutions). That is not to say the issue of parcel delivery surcharging has gone away. It is still considered an issue, in particular for Northern Ireland and the Highlands and Islands of Scotland - not least due to the growth in e-commerce. Information around parcel surcharging could be more transparent and there is recognition that any one organisation cannot address the issue of unfair parcel delivery surcharging on its own. Collaboration and commitment is needed by all those with a part to play to achieve change and improve outcomes for consumers.
37. The view of the UK Government remains that regulation is not necessary in this area [75]. There are, however, continued calls, for example, for:
- More information to allow consumers to understand the reason for any surcharge and why some areas experience higher costs than others (that is, increased transparency) - if surcharging is to occur then consumers need to know about the surcharge prior to making a decision on whether to proceed with the purchase decision
  - Ofcom to assess the drivers of higher delivery prices affecting consumers and what regulatory interventions might reduce the need for parcel surcharging
  - A more proactive regulatory approach to the postal market by Ofcom, including the introduction of safeguards and regulated minimum standards for the parcels market

## Consumers in vulnerable circumstances

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38. Like its counterparts elsewhere in the UK, Consumer Scotland has a focus on advocating, representing, and campaigning on behalf of all consumers, including SMEs, in relation to a range of consumer issues, including postal services - as well as having due regard to those consumers in vulnerable circumstances.
39. Consumers in vulnerable circumstances are commonly described as including those consumers who are either/or: disabled; have long-term health conditions; are of pensionable age; are in low-income households; have no fixed address; or live in rural areas.
40. The parcels market and the extent to which it serves consumers well has been the topic of much discussion, debate, and research over the years at a UK and Scotland level. As noted above, research continues to show that while most parcels are delivered successfully, when consumers face a parcel delivery problem it is often not a quick, easy, or straightforward process to resolve.

41. In addition, while all consumers can be adversely affected by this issue, it is reported to be more acute for consumers in vulnerable circumstances who may rely more on online shopping.

42. Points to note from the existing research include that [76, 77, 78]:

- Many disabled people shop online, and do so regularly, because they face barriers when shopping in physical stores or find it difficult to interact with staff – home delivery is therefore often the most suitable or only option
- Disabled customers are more likely to experience significant problems with parcel deliveries than consumers without a disability – it can cause added stress and anxiety, and can exacerbate existing health conditions
- The main problems are that disabled people are not given sufficient time to answer the door and the parcel may be left in a location which they cannot get to (and as noted above, disabled people are not always able to inform delivery companies about their accessibility needs) – albeit Ofcom’s changes do seek to address this issue
- Other consumers are also particularly reliant on deliveries and are disproportionately affected by parcel related issues – for example, other people with specific access needs, and those who are time-poor

43. Statutory advocacy bodies for postal consumers consider it important that:

- Ofcom proactively monitors and evaluates the effectiveness of the new consumer protection condition to better protect disabled people.
- Ofcom develops a consumer vulnerability strategy for postal services to allow for better monitoring and to support quicker interventions to address issues that affect consumers in vulnerable circumstances.

## Ensuring access to post office services

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44. Post offices have long provided a wide range of essential face-to-face services to rural and urban communities across the UK, including within deprived areas, for over 380 years. It is said to be the biggest retail network in the UK and essential to the nation’s infrastructure for postal, financial and government services [79]. This includes providing access to postal services (letters and parcels), cash services, government benefits, renewing driving licences or passports, travel insurance and foreign currency.

45. Points to note about the number, type, and location of the post office network (as at the end of March 2022) [80] and wider developments include that:

- The post office network has a wide and extensive reach and remains a vital anchor organisation in our high streets. There are 11,635 branches open across the UK - while the number of post offices in the UK has remained relatively stable since 2009, there has, however, been a longer-term decline since the 1980s
- The network remains under increasing financial pressure, not least due to the changing role of high streets and town centres
- When types of branch are examined there has been a growth in outreach services and a decline in the number of full-time, permanent post offices. Citizens Advice note that on average, outreach post offices are open 5.5 hours a week in Britain, and that one in three rural post offices in Britain are provided as part-time outreaches [81]. While this shift helps provide post office services to communities that might not otherwise receive them, wider research notes that consumer experience may vary depending on which type of post office they typically visit, and that there remains scope for improvements to be made to quality of service (for example, layout, queuing, privacy, staff knowledge, consumer service) and service offering [82, 83]. Further, the growth in part-time outreach services in rural areas may continue given that the UK Government annual subsidy has not increased in recent years [84].
- Post Office Ltd is trialling a new, slimmed-down post office model, 'Drop & Collect' [85]. The model provides a smaller range of services, such as prepaid parcel collection and returns and bill payment services. On the one hand the new model may help to make running a post office less resource-intensive, it does not provide a wider range of mail, banking, government, and parcel services
- There are slightly more post offices in rural areas (54%) than urban areas (46%) in the UK - the number of rural and urban post offices has been relatively stable since 2009. Albeit Citizens Advice research (2022) notes that "rural residents in Britain are nearly four times as likely to see a closure than urban residents. Post offices that temporarily close in rural areas also stay closed for a long time. This is a particular concern, as people living and working in rural areas are often more dependent on the network" [86] [page 7]
- There are over 1,330 post office branches in Scotland - this represents 11% of the total number of post offices in the UK. Scotland has experienced the greatest decline in the number of post offices between 2012 and 2020 compared to the UK as a whole and its regions. This has the potential for consumer harm (for example, a lack of access), including for consumers in vulnerable circumstances

46. Research shows that consumers: feel that access to postal services at post offices is important (for example, people may feel cut off from society if they could not send or receive post) [87]; and value post offices as an access point for postal services [88]. The latest Ofcom Residential Postal Tracker shows that around two-thirds of consumers surveyed are satisfied with the availability of post office branches (Scotland - 63%, UK - 68%).
47. Further, access to post offices is identified as particularly important for consumers in vulnerable circumstances who tend to use post offices the most. This includes older people, disabled people, those with health conditions, those living and working in rural areas, those living in deprived areas, those on low incomes, carers, and those who do not use the internet. Post offices are viewed as an important hub within local communities - an enabler for SMEs, providing vital services to consumers in vulnerable circumstances, fostering a sense of belonging and community, and providing a lifeline for many people [89, 90, 91, 92].
48. The accessibility of the post office network is “guaranteed and safeguarded through Post Office’s (six) access criteria” [93] [page 9] – for example, accessibility for 99% of the UK population to live within three miles of a Post Office. Safeguarding and achieving the six access criteria is a requirement for Post Office Ltd to receive its £50 million annual funding subsidy from the UK Government (which has been confirmed up to 2025) [94].
49. Based on a review of the data, a fair assessment is that performance against the access criteria has been good [95] - there was a slight drop in performance between 2019-2020 and 2020-2021 due to the pandemic and which had a knock-on impact on the viability of some branches.
50. Much of the existing information and consumer research on the post office network identifies the potential for consumer harm and detriment in several areas, such as: [96, 97, 98, 99, 100]
- The importance of ensuring consumers can continue to access affordable prices at post offices (for example, prices for basic products of the universal postal service such as second-class stamps and small parcels) and can access cash services (for example, due to recent bank and building society closures in communities and in light of new legislation to protect access to cash)
  - A significant and growing number of individuals and small businesses are said to no longer have convenient and easy access to the services they need due to the closure or temporary closure of post office branches and increased part-time and outreach provision – this has raised questions on potential gaps in coverage and whether the network is truly national and comprehensive

- The importance of securing reliable access to the post office network in the long-term and protecting vital services for rural consumers. Many rural branches face uncertainty and would not be commercially viable without the public subsidy. Without subsidy these branches are at increased risk of closure which then limits consumer access to vital services
- There is an identified need for ongoing subsidy beyond 2025, although questions are raised around whether the current level of subsidy is sufficient. There has been a standstill budget (£50 million) since 2019-2020 which has declined in real terms
- What does the post office look like in the future, what is its role and what services do consumers (and consumers in vulnerable circumstances) need and want it to provide – and how does this then balance with wider government aspirations for the network to become financially sustainable
- Whether the current access criteria is fit for purpose

51. Post Office Ltd has not been without its share of negative media attention either. Most notably, the implementation and failings of the Horizon IT system, the ongoing Horizon Inquiry which is investigating how hundreds of sub-postmasters became victims of a miscarriage of justice, and more recently on bonuses paid to senior executives and a public scrutiny session over “alleged false accounting” at the Post Office [101]. Work continues to rebuild trust among postmasters and consumers.

## Net zero

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52. Environmental sustainability has become more important from a legislative and policy perspective, as well as in the choices and spending decisions that consumers make. For example:

- The 2008 Climate Change Act [102] is the basis for the UK’s approach to tackling and responding to climate change and commits the UK Government to reduce greenhouse gas (GHG) emissions by at least 100% of 1990 levels (Net Zero) by 2050. Scotland, Wales, and Northern Ireland are covered by the Climate Change Act and also have separate climate change policies
- The introduction of clean air zones and low emission zones, for example in England [103] and Scotland [104] to help keep emissions and costs low – such as using bicycles and/or on-foot couriers to complete the final steps of delivery [105]

- Increased consumer awareness in recent years of the importance of protecting and preserving the environment [106, 107, 108 ]- for example, taking a company's social and environmental sustainability efforts into consideration when making their purchase decisions, expecting companies to take action through a commitment to reducing their carbon footprint, and aligning their offerings with changing consumer behaviours, expectations, needs and preferences

53. All sectors of the economy continue to explore ways in which they can improve their environmental sustainability and to reduce the environmental impact of their operations, including the postal market. Indeed, transport is the largest polluter in the UK, accounting for 28% of UK emissions [109].

54. Much of the source material in this policy area relates to developments introduced by parcel operators as part of their Corporate Social Responsibility (CSR) and Environmental Social Responsibility (ESR), for example:

- The setting of, and reporting on, environmental sustainability targets to reduce GHG emissions
- An increased focus on last-mile delivery and making this a more sustainable option for parcel delivery (for example, electric courier services, bicycles, e-bikes)
- Many parcel delivery operators are growing their electric vehicles (EVs) fleet
- The use of more renewable energy and fuel sources
- Sustainable packaging

55. Areas of work that parcel delivery operators are undertaking in this space include for example:

- Yodel is developing a net zero carbon depot in Huyton - this facility will be built to net zero carbon standard and will include solar panels and EV charging points
- Amazon has made the shift to using renewable energy across 85% of its business and delivered over 100 million parcels to its customers using zero-emission vehicles
- Royal Mail is trialling new innovations for zero and reduced emissions deliveries including drones for remote locations, micro electric vehicles, and a programme to optimise on-foot deliveries with a van delivering to a central point, serving a number of posties on foot. Orkney has become the first location in the UK to have mail delivered by drone. The Orkney I-Port operation has been launched by Royal Mail and drone firm Skyports to distribute letters and parcels between the islands



56. Sustainability will continue to be an area of focus, in particular for parcel delivery operators, given the UK's net zero target for 2050 (Scotland's net zero target is by 2045) which includes plans to decarbonise the entire transport system.

57. Stakeholders feel that there are gaps in EV charging infrastructure provision and that there may also require to be updates made to local planning policies or guidance. The intersection between the postal markets and other markets is considered vitally important. From an environmental perspective, wider points are raised by stakeholders, including:

- It could be easier for consumers to specify that they want to have their delivery done so in an eco-friendlier way (for example, sending things out together rather than separately)
- That there is a tension between sustainability and cost - the net-zero agenda generally looks to reduce the number of miles travelled and this potentially makes delivery more expensive
- Consumer consciousness around net zero has increased – there is a perception that some consumers may be happy with parcel deliveries taking longer in return for net zero impact of delivery
- A tiered pricing model for parcel deliveries could be considered – that is options for consumers to pay more for faster deliveries that have net zero impact or paying less if speed of delivery is not important
- That there could be a 'kite mark' (or similar) introduced so that consumers can check and verify parcel delivery operators' green credentials
- That while retailers have fixed carriers for delivery, consumers could have choice over this, including options to select a courier based on its 'green' credentials

58. Progress on environmental sustainability has been made, but there is more to do on this front, and the postal sector has an important contribution to make. There will be a need to go further and faster and for letter and parcel delivery operators to build on what has been done to accelerate their pathway to net zero.

## Issues for further consideration

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59. Our suggestions for Consumer Scotland and stakeholders to consider further are presented below. These are based on a review of the evidence reviewed and insights from our consultation and engagement with stakeholders as part of this research.

60. More granular research may be required on how consumers in vulnerable circumstances are affected by the various postal related issues touched on in this review. As vulnerability is not a fixed state – rather it is more fluid, and some consumers are likely to move in and out of vulnerable circumstances – it will be important to continue to build on the existing evidence base to better understand changing needs and preferences of consumers in vulnerable circumstances and intersectional vulnerability.
61. Continued dialogue is needed to ensure that information around parcel delivery surcharging is more transparent. Taking this work forward will likely require cross-sector collaboration, including the engagement and involvement of retailers. More specifically, the existing research base emphasises that: retailers should not profit from surcharging rural and remote consumers for delivery; and where additional charges are paid, consumers should receive what they are promised (that is, promises such as next day delivery should not be made if they cannot be fulfilled).
62. The existing research base highlights a possible trend of consumers purchasing decisions being increasingly influenced by the environmental ethos and practices of companies. Future pieces of consumer research could look to explore the role of environmental sustainability in driving online purchase and delivery decisions, how easy (or otherwise) it is for consumers to compare the “green” credentials of parcel delivery operators, and whether comparisons can be undertaken by consumers in a consistent way across operators (that is, comparing like with like).
63. It will continue to be important to assess the impact of the accessibility of post office services, including for remote and rural areas who are disproportionately impacted by closures and/or reduction in services. An area of future interest could be around how best to ensure a consistent and high quality of service for all consumers, including consumers in vulnerable circumstances. As postal services are not a devolved matter, any decision regarding whether this is progressed (or otherwise) rests with UK Government and Parliament. There is, however, scope for a broad range of stakeholders, including Consumer Scotland, to work collaboratively to identify what action may be needed.

## Appendix A: endnotes

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