

**UK postal market
literature and policy
proposal review –
Overview Paper**

October 2023

1. Overview

- 1.1. Consumer Scotland is the statutory body for consumers in Scotland established in April 2022 under the Consumer Scotland Act 2020. It is a Non-Ministerial Office independent of government and accountable to the Scottish Parliament.
- 1.2. Consumer Scotland commissioned EKOS in 2023 to undertake an in-depth review of literature and policy proposals in the UK postal services market over the past decade. The outputs of this work include a substantive literature review, and two shorter briefing papers, focused on the letters and parcels markets respectively.
- 1.3. As the statutory body for consumers in Scotland, Consumer Scotland has a specific role in advocating for a postal services market which is sustainable and reflects the needs of current and future consumers.
- 1.4. Consumer Scotland already has a broad-ranging work programme in place which includes a focus on issues within postal services which are of concern to consumers. Recently, we published the results of our research on the affordability of the universal postal service. We also responded to Ofcom's review of second class safeguard caps, which act as a key safeguard to affordable access for consumers to essential postal services.
- 1.5. To help further ensure that our approach to the postal market is appropriately strategic and informed by a cohesive understanding of the sector, we commissioned external research from EKOS, to provide an independent report on the current evidence base in relation to ongoing developments in the letters and parcel markets.
- 1.6. In addition to an in-depth summary of the evidence regarding the current state of affairs in the UK postal market, the accompanying report and briefings also draw on stakeholder engagement. This included interviews and a workshop which was held in June 2023 for delegates from both the letters and parcels market, including representation from Ofcom, the UK government, mail companies and consumer organisations. The Chatham House rule was applied to facilitate open and constructive discussion.
- 1.7. The literature review and the associated briefing documents have been written independently by EKOS after they were commissioned to do so by Consumer Scotland.
- 1.8. In this short paper we briefly describe how Consumer Scotland will be taking forward activity to advance the interests of postal consumers across a range of issues.
- 1.9. We will continue to analyse and apply the evidence identified through the literature review to inform our work on behalf of consumers in each of these policy areas.

2. Issues for further consideration

- 2.1. There are six areas identified which may benefit from further research or action to address specific consumer challenges. Many of these areas will require action from a wide range of stakeholders and we will use the evidence from the review to inform our engagement with stakeholders on these issues.

The future of the Universal Service Obligation

- 2.2. In September 2023, Ofcom set out its intention to produce a range of options for the future of the universal postal service. While it is ultimately for the UK Government and Parliament to make any changes to the requirements which underpin the universal service, we expect that this piece of work will be an important precursor which will frame the debate on how the postal service might evolve to meet the needs of current and future consumers.
- 2.3. Consumer Scotland intends to engage fully with Ofcom as it undertakes its work, informed by the substantive evidence base we gathered on user preferences earlier this year. Depending on the timescales for subsequent stages of Ofcom's work, we will consider commissioning further research to provide additional evidence on the products, services, and protections that consumers would expect to be included in the USO, now and in the future.

Understanding the experience of consumers in vulnerable circumstances

- 2.4. As Scotland's statutory consumer advocacy body, our founding legislation specifically empowers us to have regard to the interests of consumers in vulnerable circumstances, and this is fundamental to our approach. In our aforementioned response to Ofcom's consultation on the second class safeguard caps, we highlighted the challenges faced by consumers across a range of vulnerable circumstances with regards to the affordability of postal services.
- 2.5. Consumer Scotland will continue to ensure that the needs of consumers in vulnerable circumstances are at the core of our work on postal services, and we will consider options for further research (for example on the specific challenges faced by those with compound vulnerabilities) to be progressed in future.

Addressing the issue of postal exclusion

- 2.6. Postal exclusion is a core theme of Consumer Scotland's work programme for 2023-2024. We intend to conduct further stakeholder engagement on this issue in the coming months.
- 2.7. Our intention is to work with a range of stakeholders to identify pragmatic solutions to the issue of postal exclusion which protect mail integrity, but fundamentally widen access to postal services to those individuals and groups that have historically been excluded (e.g., those who have experienced domestic abuse, those in the Gypsy, Roma and Traveller community, and those experiencing homelessness).

We expect to conduct initial scoping work on what these solutions could be over the course of our current work programme and progress further research to explore the implementation of these possible solutions in our 2024-2025 work programme.

Parcel surcharging

- 2.8. The Scottish Government conducted a programme of work on parcel delivery charges over previous years, which included a focus on surcharges.

- 2.9. Consumer Scotland has gathered further evidence on parcel surcharging from our consumer research this year. We expect to publish our first report on consumer perceptions of the parcels market imminently.
- 2.10. Alongside this evidence, we will consider whether further engagement with parcel operators, retailers and other stakeholders is necessary to support improved outcomes for consumers in this area. This will include consideration of a distinct workstream on the parcels market as part of our 2024-2025 work programme.

Decarbonisation and consumer engagement with net-zero activity in the postal market

- 2.11. A number of issues relating to sustainable purchasing have been identified in the literature review including the role of environmental sustainability in driving online purchase and delivery decisions, the comparability of “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).
- 2.12. Consumer Scotland will be conducting an exploratory qualitative study this year, to build a greater understanding of the views of both consumers and small businesses on consumer perceptions and understanding of net-zero in the postal market. We intend for this study to act as the foundation for more targeted activity in our 2024-2025 work programme.

Accessibility of post office services

- 2.13. Consumer Scotland is currently finalising a memorandum of understanding between Post Office Limited and other stakeholders, which is intended to support effective sharing of data between our respective organisations, particularly with regards to the post office network.
- 2.14. We will use this data to map the current structure of the post office network, identifying any risks to the provision of services, or differential service provision between specific parts of Scotland (e.g., remote and rural vs urban areas).
- 2.15. This mapping work will inform our engagement with Post Office Limited and other stakeholders on the future of the network and will inform any proposals we may put forward regarding the most effective way for consumers to engage with the postal services.

3. Concluding comments

- 3.1. It is our intention that the outputs from this programme of work will provide an informative overview of the issues facing consumers in Scotland in the postal services market, a market which is currently in a period of significant change and will inform further discussion across the postal services market within these areas.
- 3.2. The evidence and issues set out within the literature and policy review will continue to inform Consumer Scotland’s activity on behalf of postal consumers. In particular, we will apply the evidence generated by the review alongside other analysis and research to inform the recommendations that we subsequently provide to government, regulators and business across the range of issues set out in this paper.