

Your response

Question	Your response
<p>Question 1: Do you agree that we have identified the correct aims, supporting principles and features of the USO? Do you consider that these should continue to be respected as far as possible when assessing potential changes to the USO?</p>	<p>We agree that Ofcom have identified the correct principles for the USO. We agree that the USO must deliver a postal service which is universal, affordable, reliable and fair for all.</p> <p>The large amount of quantitative and qualitative research (from Ofcom and other stakeholders) confirms that these principles are the most important to all consumers. It also confirms the important contribution that the USO makes to society, connecting communities, individuals and families.</p> <p>Therefore, we would urge that these principles are used as a starting point for any review or change with the intention of securing positive outcomes for all consumers. We accept the need to understand market dynamics, but this should help in delivering these outcomes rather than hinder. The ongoing analysis around the demise of the postal service fits a rather negative narrative which helps with certain scenarios. We would urge Ofcom to recognise the positive aspect of the USO and what it delivers to consumers, rather than see it as a ‘burden’.</p> <p>As the ACS has a specific role to represent the consumers and citizens of Scotland, we would like, at this point, to expand on the important role that the postal service plays in Scotland, and the specific challenges that consumers here face. We reference a number of recent responses to a Scottish Parliament Economy and Fair Work Committee Call for Views on possible changes to the postal service.¹</p> <p>Highland and Island Enterprise response;</p> <p><i>‘Rural Scotland accounts for 98% of the land mass of Scotland and 17% of the population. As a predominately rural region, 36% of the population of the Highlands and Islands live in accessible or remote rural mainland areas</i></p>

¹ <https://yourviews.parliament.scot/efw/royal-mail-service-changes/consultation-select-respondent>

Question	Your response
	<p><i>and 22% live on an island. At 11.7 people per sq km (versus 70.3 nationally), the region has the lowest population density in the UK, and one of the lowest in Europe, highlighting the extremely dispersed nature of communities. Research has shown that those living in the more rural areas and islands of our region face acute challenges arising from structural disadvantage; this includes higher living costs, higher costs of doing business, higher-than-average levels of fuel and transport poverty, and poor and declining access to services.....Postcodes in the Highlands and Islands are 31% less likely to have access to home delivery services from online retailers compared to Eastern Scotland, with the council areas of Na h-Eileanan Siar, the Shetland and Orkney Islands having virtually no access across the range of retailers explored within the research scope. Given that this inequality persists and compounds already higher costs of living and doing business, Royal Mail's Universal Service Obligation is of disproportionate importance in such remote rural and island communities, providing as it does a uniform price and service to all post-code areas.'</i></p> <p>These areas are further challenged as three postcodes in Scotland (Hebrides, Kirkwall and Lerwick) are excluded from the quality of service targets within the USO.</p> <p>Elsewhere in Scotland, 6 other postcodes were below the UK average for performance targets in 2022/23 (DD, FK, IV, KA, PA, PH).</p> <p>At the other end of the country the narrative is very similar.²</p> <p>South of Scotland Enterprise Response:</p> <p><i>'The Royal Mail provides an essential communication and connectivity service for many residents, communities and enterprises across the South of Scotland. Our population is proportionately older than the average, with the highest dependency ratio in Scotland. Our settlements are also more dispersed with a low density of population (at 24 people per square km, second after the Highlands and Islands). There are areas of deprivation where people are</i></p>

² https://yourviews.parliament.scot/efw/royal-mail-service-changes/consultation/published_select_respondent

Question	Your response
	<p><i>less likely to be online, and consequently rely more on the postal service.'</i></p> <p>There are also key differences in the use of postal services between rural and urban consumers.³</p> <p>Consumer Scotland Response</p> <p><i>'Postal services can be particularly important for certain groups of consumers. Specifically, our research found differences in use of postal services between rural and urban consumers in Scotland. For example, we found that birthday cards (83% vs. 78%), Christmas cards (63% vs. 53%), personal correspondence (47% vs. 40%), sending letters to public bodies (14% vs. 8%) and cheque payments (12% vs. 6%) are more commonly sent by those in rural areas than urban areas. Sending letters to family (68% vs. 62%), is significantly more common amongst those living in rural areas than urban areas.'</i></p> <p>It is also important to understand that the postal service in island communities in Scotland are already being tested. Delivery of mail in island communities relies on air or ferry services. Both can be challenged by weather which ultimately creates delivery backlog but recent issues with the reliability of the ferry services to all Scottish islands have added an unwanted extra layer of difficulty.</p> <p>And so the principle of universality across all of Scotland must be protected to avoid any further isolation of rural communities.</p> <p>Affordability for all must also be maintained to ensure all consumers, particularly those negatively impacted by financial challenges are not disenfranchised. And not all households can afford or can confidently make use of a digital connection. Indeed, not all households are able to be digitally connected. Scotland is still behind the UK in terms of broadband and mobile connectivity which places an even greater reliance on the postal service. 72% of residential properties in Scotland are gigabit capable as</p>

³ https://yourviews.parliament.scot/efw/royal-mail-service-changes/consultation/published_select_respondent

Question	Your response
	<p>opposed to 78% across the UK and 0.6% are unable to get decent broadband coverage versus 0.2% across the UK ⁴</p> <p>However, people also need a service that they know will deliver and that they get what they paid for. Therefore, agreeing the principles of the USO must be backed by transparent and relevant monitoring ensuring the quality of service that customers need.</p>
<p>Question 2: Do you agree with our assessment of the direction of change in postal needs of residential (including vulnerable) users and SMEs? Are there other factors relevant to their future demand which we have not considered?</p>	<p>Whilst the conclusion in the Call for Input of <i>‘while certain groups of users are more reliant on post (e.g. those with limited or no internet access, people with mobility issues, those in more rural or remote areas and older users), the delivery needs of these groups of users are mostly similar to broader user needs’</i> may be correct in relation to the abiding principles of the USO, but there will be differences when beginning to consider any changes as to how the USO is delivered. The difficulty will be delivering a USO which continues to deliver the needs of a majority and those groups of users identified as more reliant on the service. As well as those consumers based in rural communities, this will also include the elderly, refugee communities, homeless or transient individuals, vulnerable individuals and those facing financial difficulty. A truly holistic approach will need to be sought. We would recommend continuing research, in particular qualitative research, to really understand how these groups use the service to ensure no unintended consequences appear.</p> <p>It is important at this point that we also consider consumers as receivers of mail as opposed to senders. Reduced delivery frequency will also impact on consumers receiving mail from public organisations. This could include, for example, health services where consumers receive notification of an appointment at short notice, or where consumers, who may be financially vulnerable, are in correspondence with government institutions about welfare benefit entitlements and require an urgent resolution to their issue. How would a reduction in delivery frequency impact legal letters which are time sensitive? Any delay to communications from the Financial Conduct Authority</p>

⁴ https://www.ofcom.org.uk/data/assets/pdf_file/0023/273722/connected-nations-2023-scotland.pdf

Question	Your response
	<p>or the Prudential Regulation Authority would have legal and financial implications.</p>
<p>Question 3: Do you agree with our assessment of the bulk mail market? Are there other factors relevant to its future evolution which we have not considered?</p>	<p>It is important to accept the interdependency between bulk mail and consumer mail. The bulk mail sector relies on the infrastructure set up to deliver the USO and there is a symbiotic relationship which needs to be maintained. Therefore, although bulk mail is not part of the USO, its health and development are important to the USO delivery. We agree therefore that any change or development to the USO must consider the consequences for bulk mail. And whilst, at first glance, bulk mail is about a commercial enterprise, the use of bulk mail by the NHS and local councils inevitably is about consumer outcomes.</p> <p>Although many local councils and NHS services are making good progress in the transition to digital services, it is likely to be some time before they will move to a complete digital world. Therefore the demise of bulk mail, predicted in the Call for Input, might not be as fast as anticipated. However, what will impact numbers will be affordability and reliability. Increases in bulk mail costs seem to have been ad hoc and not anticipated by the sector which makes it very difficult for them to plan ahead. Reliability is also key to many of the users of bulk mail services, from both a sender and receiver perspective.</p>
<p>Question 4: Are there specific events/changes that could trigger a significant change in demand for large mail users, including public services?</p>	<p>The Consumer Scotland Act 2020 requires that a relevant public authority must, when making decisions of a strategic nature about how to exercise its functions, consider the impact of those decisions on consumers in Scotland, and the desirability of reducing harm to them. Secondary legislation is currently being discussed to aid and guide those public bodies which will be affected. Whilst Ofcom is not bound by this, it will be a consideration for public bodies throughout Scotland. There could be an interpretation of this that moving too quickly to a digital service (away from postal communication) could be considered harmful to certain groups of consumers.</p> <p>It is interesting to note within the detail of postal services in other European countries, that a dramatic move away from post is preceded by a proactive increase in digital</p>

Question	Your response
	connectivity. Therefore, the service is not reduced until the alternative is in place.
<p>Question 5: Do you agree with our proposed approach to estimating the financial burden of the USO?</p>	<p>It is difficult for the ACS to comment on the figures, but we note that they are based on assumptions and hypothetical circumstances. This has resulted in a large variation within the figures suggesting a significant net cost of complying with the USO, which could be in the region of £325-675m a year. These may or may not be accurate. However, we feel that the language used is not advantageous to a positive outcome. We do not believe that the USO is an 'unfair burden'. It is a public service, and it has a cost. The energy companies don't describe the National Grid as an unfair burden. It is the infrastructure that allows them to deliver their service. As result of delivering the USO, Royal Mail has a unique infrastructure which, if invested in and developed correctly, could underpin a successful commercial enterprise. We believe it would be helpful to see it in this way. Therefore, the narrative should be more positive, concentrating on innovation rather than just cuts.</p>
<p>Question 6: Do you agree with our considerations regarding the unfairness of the financial burden of the USO?</p>	<p>See our answer to question 5. However, it would be worthwhile considering who the financial burden of the USO is being unfair to. Currently, it is the consumer who is being unfairly treated, as they pay for a service but don't receive what they expect.</p>
<p>Question 7: Do you agree with our considerations regarding the impact of the financial burden of the USO?</p>	<p>We reiterate our comments from question 5.</p>
<p>Question 8: Do you agree with our analysis of the different options available to change the USO and the impact of those changes on residential (including vulnerable) users, SMEs and bulk mail users? If not, please explain</p>	<p>The options assessed include a reduction in frequency/speed of delivery for letters. Whilst we understand that this would fulfil the requirements for most consumers, we are aware of data from Consumer Scotland that indicates that 53% of consumers in Scotland regard 6-day deliveries as important.⁵</p>

⁵ https://yourviews.parliament.scot/efw/royal-mail-service-changes/consultation/published_select_respondent

Question	Your response
<p>why and set out any option(s) which we have not considered.</p>	<p>Consumer Scotland</p> <p><i>‘More than half of consumers (53%) in Scotland regard six-day deliveries as important, with a fifth (20%) regarding these as very important. Those aged 35+ (55%) are most likely to regard delivery six days a week as important to them, when compared to 16 – 34-year-olds. (47%)</i></p> <p><i>Participants who placed importance on six day a week delivery services by Royal Mail were asked why they felt it was important. They commonly expressed the view that a six-day delivery helped ensure that urgent, time-sensitive letters arrived on time and gave them peace of mind. ‘</i></p> <p>A Saturday delivery was highlighted as important by those who are out at work all week and are therefore only available for key deliveries on a Saturday. If this option was pursued, we would recommend that a 6 day/Saturday delivery service was an option when required.</p> <p>We are also aware of some concerns with the Communications Workers Union relating to a reduction in delivery days.⁶</p> <p>CWU Response</p> <p><i>‘A reduction in delivery frequency from six days to five days a week would result in thousands of Royal Mail job losses in Scotland and across the rest of the UK. Royal Mail is one of the largest employers in the UK, employing around 137,000 people and providing one in every 194 jobs. In Scotland, Royal Mail employs approximately 16,000 people, including around 12,000 front line workers. Royal Mail’s geographic distribution is weighted to areas where there are fewer job opportunities, enabling it to make a significant contribution to social inclusion.</i></p> <p><i>The loss of Royal Mail jobs would widen regional inequalities, resulting in many job losses in areas that already suffer from low levels of infrastructure investment, have poor levels of broadband connectivity and are home to significant rural and elderly populations.’</i></p>

⁶ https://yourviews.parliament.scot/efw/royal-mail-service-changes/consultation/published_select_respondent

Question	Your response
	<p>If this was to proceed, it will be important for this to be handled positively by Royal Mail or the service could face the workforce challenges of the recent past.</p> <p>The other option under discussion was the amending the current QoS targets for existing services. As reliability of service is one of the main consumer needs from the USO, relevant and achievable targets are key to delivering this, together with transparent monitoring. If the USO targets are changed, we would advise ensuring that they are in line with the expectations of the consumer. Too low and they become meaningless and too high they are not achievable. It is also important to remember that regulatory success metrics tend to focus on high volume and high density areas. It is key that any targets reflect all consumers, urban and rural, ensuring that although the numbers might be small they are still monitored and still matter.</p> <p>They could also be linked to some form of incentivisation as sanctions around targets seem a particularly negative approach.</p> <p>In terms of SME's, a 2021 survey by Citizens Advice Scotland (CAS) drew on a Scottish sample of 500 senior decision makers in small to medium enterprises (SMEs) seeking views on the key elements of the USO that matter to Scottish businesses. ⁷</p> <p>Some features of the USO were crucial to SMEs. Almost three quarters of respondents (72%) thought that delivering letters at a single affordable rate to any location in the UK is very important.</p> <p>49% said that delivery of letters six days a week was important. However 64% SMEs felt that recorded delivery was very important and 68% felt that tracking of post was more important than six day a week delivery.</p> <p>On the basis of the responses, CAS had a number of recommendations which included the possibility of exploring concessionary rates for some postal services, that would</p>

7

https://www.cas.org.uk/system/files/publications/briefing_-_key_findings_of_yougov_sme_polling.docx

Question	Your response
	<p>benefit Scotland’s small independent and microbusinesses.</p> <p>Given the variance in priorities between domestic and business consumers it would be beneficial to ensure an in-depth up to date understanding of this user group is obtained, particularly in the context of the geographic challenges experienced in Scotland, as previously referenced.</p>
<p>Question 9: Which option(s) do you consider would be most appropriate to address the challenges we have identified, while also ensuring that users’ needs are adequately met?</p>	<p>It would seem that a single 2-day universal stamp and collection/delivery pattern of 5 days would satisfy most consumers – but, importantly, not all. That small minority would need to be offered a service of some description that adheres to the universality of the USO. However, at this point, the ACS would prefer not to recommend any specific option, outlined within this Call for Input. We consider that the conversation is at a very early stage, and we would prefer to wait until Ofcom has received all responses to this Call for Input. However, we note that Royal Mail has today released details of their response and their recommendations. We believe that due consideration must now be given to their suggestions, which seem to have different options up for discussion. Their response to this consultation is key as it is most important to hear what they believe to be the best way forward and what they feel they can achieve. Their proposals, at first glance, seem to take on board the universality and reliability required for the USO. Our main question will be around affordability (a key principle of the USO). Currently, Ofcom’s price safeguard cap only applies to the 2nd class universal service. Therefore the First class, 6 day delivery service as suggested by Royal Mail, could be subject to increases, without regulatory review. The cost of a first class stamp rose on the 2nd April 2024 to £1.35. In April 2023 it was 95p. In one year it has risen 42%. Affordability may therefore become an issue for many people, who will eventually have to use the reduced but cheaper 2nd class service.</p> <p>More research and discussion around these new proposals will now be required.</p>

Question	Your response
<p>Question 10: Do you have any other views about how the USO should evolve to meet users' needs?</p>	<p>We would urge Ofcom to take time in assessing how and when the USO may change. We would also recommend more granular and ongoing research. We believe that we have demonstrated key differences between Scotland and the rest of the UK. We are sure that there will be other key differences in the other Nations and Regions. These need to be recognised and be part of the solution.</p> <p>We also believe that this area may need a much bigger conversation about connectivity and communication in society and therefore the postal service needs to be seen as part of a much bigger picture. Changes in other communication sectors will and can affect it. The solution for this service needs to be future proofed, otherwise Ofcom may find itself having to review the USO in a few years' time. Consumer behaviour and expectation will change and therefore any solution needs to be flexible to deliver the outcomes society need.</p>

Please complete this form in full and return to futurepostalUSO@ofcom.org.uk.