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# Call for Input – The Future of the Universal Postal Service

## About us

Consumer Scotland is the statutory body for consumers in Scotland. Established by the Consumer Scotland Act 2020, we are accountable to the Scottish Parliament. The Act defines consumers as individuals and small businesses that purchase, use or receive in Scotland goods or services supplied by a business, profession, not for profit enterprise, or public body.

Our purpose is to improve outcomes for current and future consumers, and our strategic objectives are:

- to enhance understanding and awareness of consumer issues by strengthening the evidence base
- to serve the needs and aspirations of current and future consumers by inspiring and influencing the public, private and third sectors
- to enable the active participation of consumers in a fairer economy by improving access to information and support

Consumer Scotland uses data, research and analysis to inform our work on the key issues facing consumers in Scotland. In conjunction with that evidence base we seek a consumer perspective through the application of the consumer principles of access, choice, safety, information, fairness, representation, sustainability and redress.

## Consumer principles

The Consumer Principles are a set of principles developed by consumer organisations in the UK and overseas.

Consumer Scotland uses the Consumer Principles as a framework through which to analyse the evidence on markets and related issues from a consumer perspective. Our response to this Call for Input is informed by these Principles.

The Consumer Principles are:

- Access: Can people get the goods or services they need or want?
- Choice: Is there any?
- Safety: Are the goods or services dangerous to health or welfare?
- Information: Is it available, accurate and useful?
- Fairness: Are some or all consumers unfairly discriminated against?
- Representation: Do consumers have a say in how goods or services are provided?
- Redress: If things go wrong, is there a system for making things right?

## Overview – Our General Feedback on the Call for Input

### **The need for a strategic review to ensure a future USO delivers for consumers**

Consumer Scotland welcomes the work initiated by Ofcom to consider the future of the universal postal service and how it may need to change. Postal services remain a fundamental part of the UK's communications infrastructure and provide vital services to consumers. There have however, been changes in how many consumers engage with the mail service since the current USO was established in 2011, with growing digitisation and letter volumes in decline. There are also significant challenges for consumers in how the USO is currently being delivered, in terms of affordability and reliability.

## Postal services are important for consumers in Scotland and they value the different aspects of the USO

Postal services are vital services for consumers in Scotland, providing an important communications channel and underpinning access to a wide range of other markets and services.

In 2023 Consumer Scotland commissioned YouGov plc to survey a representative sample of adults in Scotland on their attitudes to postal services<sup>1</sup>. Our research found that although the market is changing, postal services remain important to consumers in Scotland.

Key findings from the research include:

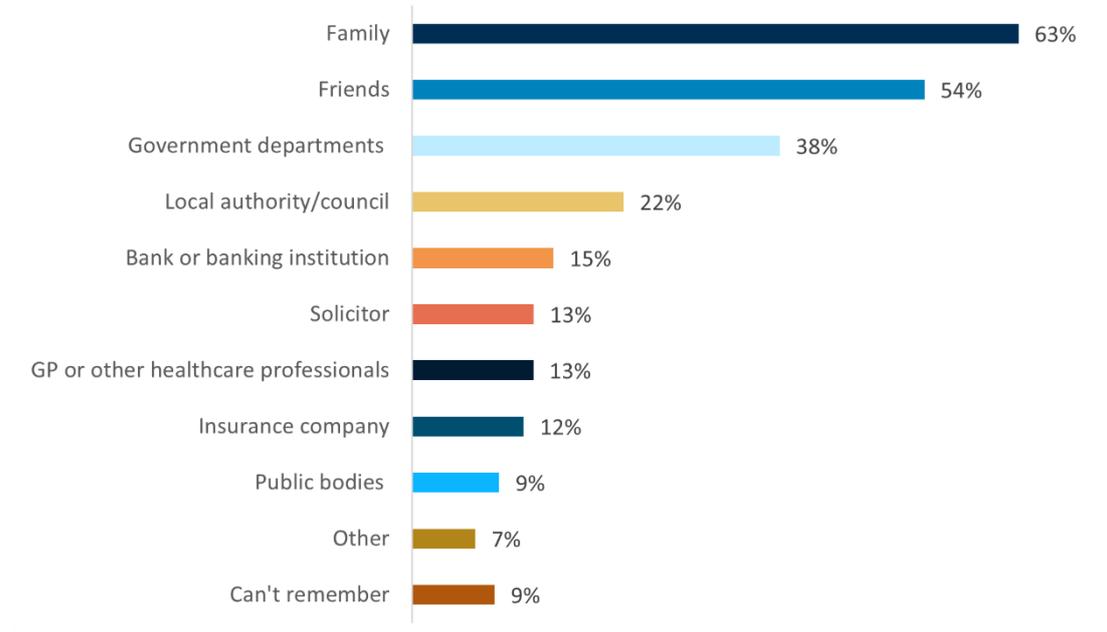
- Nearly two thirds of adults in Scotland had sent first (65%) and second class letters (62%) in the last 12 months, while just over three quarters (77%) had sent parcels.
- The most common frequency for sending postal services a letter or parcel was less than once a month (50% sending first class letters, 48% second class letters and 57% parcels).
- Younger consumers were less likely to use postal services in the past 12 months.
- Letters remain important for consumers to communicate with each other, with birthday cards the most commonly sent form of letter (79% of those consumers who had sent a letter in the last year had sent these).
- The majority of those who send letters are writing to family (average of 63%, increasing with age from 47% for 16-24 year olds to 69% for 55+) and friends (average 54%, also rising with age from 47% for 16-24 year olds to 61% for 55+).
- For those communications which are not personal, sending letters to government departments, local authorities and banks remains important for consumers, with 31% of letters sent being identity documents.

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<sup>1</sup> [The Universal Postal Service \(HTML\) | Consumer Scotland](#)

**Figure 1 - People in Scotland are most likely to send letters to family members, with friends also featuring as prominent recipients**

*Percentage of respondents who had sent letters to particular recipients in the previous 12 months*



*Survey Question: Thinking about the letters you have sent in the last 12 months, who are you sending letters to? (Tick all that apply)  
 Base: All adults living in Scotland who send letters (n=1,443)*

Ofcom’s substantial consumer research provides further evidence on the importance of postal services to consumers in Scotland<sup>2</sup>:

- Half of consumers (53%) had in the past week received a letter from an organisation they had a relationship with
- A similar proportion (51%) had received a bill, statement or invoice in the post during the past week
- Around 1 in 5 (18%) had sent a formal letter to an organisation or individual during the past month

Ofcom research also evidences the social value of post. More than half of consumers (57%) say they would feel isolated without the ability to send and receive letters and cards<sup>3</sup>.

Recent research by Citizens Advice further highlights the importance of postal services for consumers. Findings include<sup>4</sup>:

<sup>2</sup> [Residential Postal Tracker - Jan-Dec 2023 - Weighted Tables \(ofcom.org.uk\)](https://www.ofcom.gov.uk/consult/condocs/residentialpostaltracker/2023/230301-residential-postal-tracker-jan-dec-2023-weighted-tables/)  
<sup>3</sup> Ofcom, Residential Postal Tracker, 2022, Q3\_5.  
<sup>4</sup> [Review of the Second Class Safeguard Caps 2024 - Citizens Advice response \(ctfassets.net\)](https://www.citizensadvice.org.uk/what-we-do/our-research-and-evidence/research-reports/review-of-the-second-class-safeguard-caps-2024-citizens-advice-response/)

- More than 7 in 10 people had received a letter in the past month
- Over 24 million UK adults (46%) sent important 24 information, like benefits paperwork, court documents or ID in the post in the 6 months leading up to June 2023
- Black and minority ethnic consumers, those in receipt of Universal Credit and those aged 18 - 34 are all more likely to use post in this way.

Post can be particularly important for those who are not online. Ofcom's 2023 Communications Market Report<sup>5</sup> shows that home internet take-up is lowest in Scotland of all UK jurisdictions at 87%. This falls to only 74% amongst those in socio-economic group DE. In addition, Ofcom's Connected Nations report shows that consumers in Scotland have access to the lowest full fibre coverage and lowest superfast broadband coverage of all UK jurisdictions. Scotland also has the highest percentage of households 'not able to access decent broadband'<sup>6</sup>.

When asked about different aspects of the letters market, Consumer Scotland's research<sup>7</sup> found consumers in Scotland placed the highest importance on tracking and recorded delivery at 82% and 80% respectively. Delivery of letters at a single rate to anywhere in the UK is an important aspect of the USO for consumers in Scotland, with nearly four in five (78%) regarding this as important. Conversely, consumers in Scotland rated the importance of six days of letter delivery and letter delivery at the weekend considerably less at 53% and 48% respectively, albeit this still shows that around half valued these aspects of the USO.

The most common reasons consumers stated for wanting to maintain six day and for weekend delivery were focused on timeliness and quality of service for consumers, with some small business owners saying that they worked and sent letters during the weekend.

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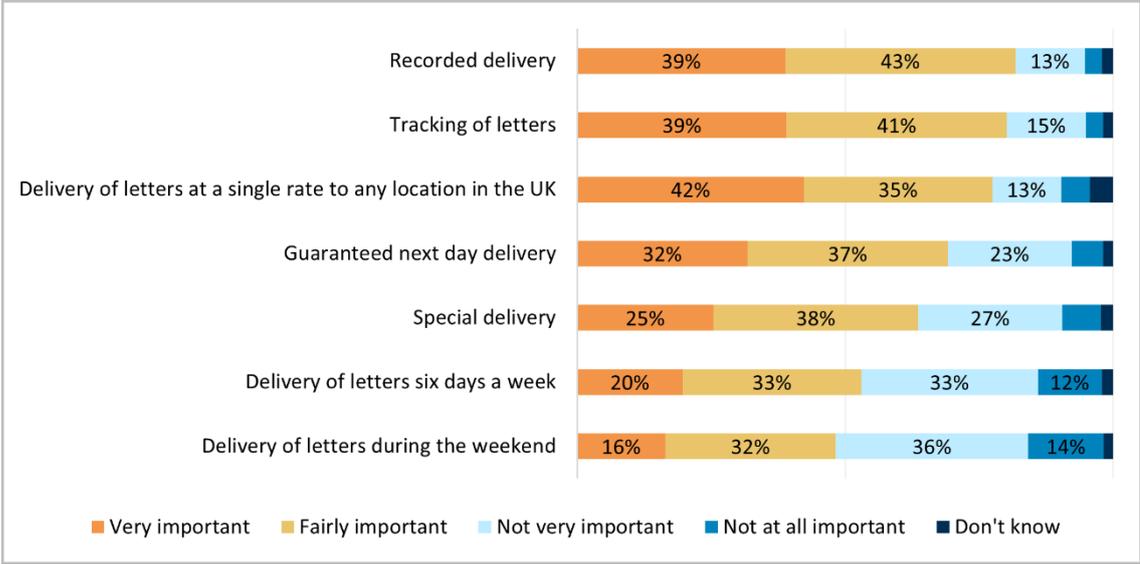
<sup>5</sup> [Communications Market Report 2023: Interactive data - Ofcom](#)

<sup>6</sup> [Connected Nations 2023 - Scotland report \(ofcom.org.uk\)](#)

<sup>7</sup> [The Universal Postal Service | Consumer Scotland](#)

**Figure 2 - Consumers in Scotland value recorded delivery, tracking and single rate delivery across the UK as the most important aspects of the letters market**

*Relative importance survey respondents placed on different aspects of the Royal Mail services in the letters market*



*Survey Question: Thinking about the letters that you send and receive, how important, if at all, are the following Royal Mail services to you personally?*

*Base: All adults living in Scotland who send letters (n=1,443)*

*Not at all important: Recorded Delivery – 3%; Tracking of letters – 3%, Delivery of letters at a single rate to any location in the UK – 4%, Guaranteed next day delivery – 6%, Special delivery – 7%*

*Don't Know: Recorded Delivery – 2%; Tracking of letters – 2%, Delivery of letters at a single rate to any location in the UK – 4%, Guaranteed next day delivery – 2%, Special delivery – 2%; Delivery of letters six days a week – 2%; Delivery of letter during the weekend – 2%*

**There is a need for action to ensure that the USO is working for consumers, now and in the future**

While consumers in Scotland attach importance to different aspects of the postal market, it is clear that the USO for postal services is not currently working as effectively as it could for consumers. There are a number of issues that merit considered examination to ensure that the future USO is designed and delivered to meet consumers’ needs. These include:

- **Changing Consumer Expectations and Behaviour:** The current USO has been in place since 2011. In that time, consumer behaviours and expectations have changed significantly, particularly in relation to the use of digital technology and in attitudes towards climate change<sup>8</sup>. It is appropriate that the future model for the USO is considered, to take account of this different consumer context, and to anticipate changing consumer needs over the next decade.

<sup>8</sup> [Consumers and the transition to net zero \(HTML\) | Consumer Scotland](#)

- **Affordability:** The Postal Services Act 2011 sets out that a range of postal services must be provided at affordable prices for consumers in the UK. However, consumers have experienced significant challenges in the affordability of postal services in recent years.

The price of a first class stamp has almost doubled during the past five years, from 70p in 2019 to £1.35 from April 2024. Consumer Scotland research<sup>9</sup> found that even before two price rises in 2023, and a further rise in April 2024, consumers in Scotland were experiencing challenges in the affordability of postal services:

- 19% of consumers said they would find it difficult to afford to buy a book of second class stamps (then costing £5.44) when thinking about the following week
- 15% of those who send letters or parcels said they had struggled to afford postal services in the last 12 months
- 28% of those who struggled to afford postal services said they had to forgo paying or using essentials, such as food or energy, in order to pay for postage
- 30% of consumers said redirection services were “much too expensive”

Across all markets, some consumers have experienced greater affordability challenges than others during the past two years. Consumer Scotland analysis has highlighted the differing impact of the cost of living crisis for different groups of consumers in Scotland during this time. For example, the fifth of households in Scotland with the lowest incomes experienced inflation at over 18% between January 2022 and January 2024, while the fifth of households with the highest incomes experienced inflation at less than 14% during the same period<sup>10</sup>.

A strategic discussion on the future of the USO is required, to determine how to achieve and protect an affordable set of postal services for all consumers in Scotland.

- **Quality of Service:** The USO requires Royal Mail to meet specific quality of service targets, including next day delivery of 93% of first class mail nationally; and delivery of 98.5% of second class mail within three days. Royal Mail has not met these targets for a number of years. Ofcom highlights in the Call for Input that this failure has had a negative impact for postal consumers.

Despite Ofcom issuing a fine of £5.6 million to Royal Mail for under-performance in 2022-23, the company remains significantly below target in 2023-24, causing further consumer detriment, including missed health appointments, fines and bills<sup>11</sup>. This raises questions over the effectiveness of the current enforcement regime for the quality of service aspect of the USO.

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<sup>9</sup> [The affordability of the Universal Postal Service HTML | Consumer Scotland](#)

<sup>10</sup> [Consumers still paying the price of high inflation | Consumer Scotland](#)

<sup>11</sup> [Royal Mail delays hit an estimated 15.7 million people in the last month - Citizens Advice](#)

Additionally, it is important to highlight that postal consumers in three Scottish postcode areas (HS, KW and ZE) are not currently protected by any quality of service targets, with consumers in these island areas receiving a slower mail service than consumers in other parts of the UK.

Given this context, Consumer Scotland welcomes Ofcom's work to initiate a discussion about the future of the universal postal service.

**While we welcome Ofcom opening the discussion on future models for the USO, we have a number of questions and concerns about the scope and the process for potential reform to the USO, as set out in the Call for Input document. We provide further detail and recommendations on these issues below.**

**Following the initial Call for Input process we recommend that Ofcom should set out a clear process for the further exploration and development of potential changes to the USO, with consumers at the centre of the decision-making process. We would be pleased to work with Ofcom to help develop the next stages in this process.**

## **Scope of the Call for Input**

We recognise the important role that Ofcom has in ensuring the financial sustainability of the universal postal service. We understand that the question of sustainability has been at the forefront of Ofcom's current examination of the USO, given the recent financial challenges experienced by Royal Mail, the USO provider.

However, our assessment of the Call for Input is that it is currently too narrowly focused on the specific issue of the financial sustainability of the USO provider. In giving pre-eminence to this consideration, important as it is, the Call for Input document does not give sufficient attention to the potential value of a wider strategic review of the future of the universal postal service, focused on consumer outcomes now and in the future.

The current configuration of USO has been in place for more than a decade. In that time, there have been significant changes in consumer experience and expectation, and consumer needs will almost certainly change further during the next decade. The postal service is a vital part of the UK's communications infrastructure. The process of reform is not straightforward, involving complex changes to interdependent systems, affecting many different stakeholders, each with specific requirements and interests.

It is therefore important that any review of the design of the USO is strategic and future-focused, to ensure that any reform is robust, sustainable and has a broad base of consumer and stakeholder support which will endure over a number of years. The Call for Input document sets out three possible options to scale back the current USO. Consumer Scotland considers that a focus on these specific options at this stage risks the sector missing an

opportunity for a wider, strategic review on how to ensure that the postal service delivers for consumers now and in the future.

Related to this, our assessment is that the Call for Input process should give more detailed consideration to the role of postal services as one part of the wider communications and logistics infrastructure in the UK, delivering a broad set of outcomes for consumers. Any change to the USO could have significant consequences for consumers. To assess the potential impact of these changes, a number of full and detailed assessments will be required, both in relation to how these may be deployed within the mail system specifically and in terms of how consumers navigate between postal services and other communications infrastructure. While aspects of these are mentioned or referenced in the Call for Input, our recommendation is that further assessment and modelling would be beneficial across a range of issues.

**In reviewing the Call for Input in light of these points, we have identified additional evidence and analysis that we recommend should be produced and published to inform the design and development of any potential options to amend the current USO.**

We recognise that some of this evidence or analysis could be produced by Ofcom, while other aspects may sit with other stakeholders, including government. We recognise that Ofcom may already hold or produce some of the material we have proposed here. In those instances, the next steps will be to overlay that information with the models set out in the Call for Input document.

In producing and presenting this extended evidence base, we anticipate that new options for development and reform of the USO to benefit consumers, not currently modelled within the Call for Input, may be identified.

We recognise that the list below represents a substantial body of evidence and if some prioritisation of these proposals is required then we would be pleased to discuss this with Ofcom.

The additional evidence and analysis that we recommend is produced includes:

***Evidence and analysis on how any new arrangements will ensure affordability and reliability for consumers***

- A detailed assessment is needed of how the affordability of postal services will be achieved within any amended USO. We do not agree, as suggested in the Call for Input document, that it is sufficient or appropriate to assume that Royal Mail will develop additional support for vulnerable consumers if the requirements of the current USO were to be reduced. We recommend that any options for a future USO should include specific proposals setting out how the affordability of postal services for consumers will be protected in that scenario. As we set out in our response to the 2024

Review of Second Class Safeguard Caps<sup>12</sup>, our assessment is that the future approach to affordability should include ongoing, market-wide protection for all consumers, such as the safeguard cap, augmented by additional interventions to improve affordability for particular groups of consumers. We recommend that detailed models should be provided for how this might be achieved within any future USO structure.

- For each possible option for an adjusted USO, detailed modelling should be produced showing how that option would improve quality of service standards in practice and how these standards will then be monitored and enforced. We suggest that it would be useful for this analysis to include an assessment of whether the existing tools available to Ofcom to ensure compliance with quality of service targets under the USO are sufficient, or any additional resources or powers that may be required by the regulator in a future USO context.

### ***Evidence and analysis on how changes to the USO may impact bulk mail and the implications of this for consumers***

- A more detailed assessment should be presented on the UK bulk mail sector and the specific changes that bulk mailers may require to make to their processes to take account of any changes to the USO (for example in terms of the number of delivery days). This assessment should be segmented by the sector of mail senders (for example, from financial service providers, utilities companies, or public services) and volume, to enable a full assessment of the implications for domestic consumers if there were to be changes in the frequency or speed of delivery for different types of mail.
- This assessment of the bulk mail market should take into account the capacity of public sector providers to action any significant changes in their logistics systems, given the significant financial pressures facing most public bodies. In addition, it should be noted that from April 2024, public bodies in Scotland will need to comply with a new Consumer Duty<sup>13</sup>, which requires organisations to give regard to consumers when taking strategic decisions. The potential implications of this duty for how public bodies communicate with consumers in Scotland should be considered when models for a future USO are being further analysed.
- More broadly, analysis of the future requirements of the USO should include an assessment of the current trend in digitisation of public services in the UK, to enable a future-focused assessment of potential mail trends from these sectors in the coming years.
- Detailed evidence is needed on the requirements from the mail system of other regulated sectors, including financial services and utilities providers. This is necessary to understand the implications of any changes to the USO in the delivery of bulk mail items that may be sent as part of companies' regulatory requirements and which are important for consumers.

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<sup>12</sup> [Response to Ofcom's consultation on the Review of Second Class Safeguard Caps 2024 \(HTML\) | Consumer Scotland](#)

<sup>13</sup> [The consumer duty | Consumer Scotland](#)

***Evidence and analysis on innovative approaches and new services that may support good consumer outcomes in the delivery of a future USO***

- Building on the useful evidence presented in the Call for Input on developments in other jurisdictions, it would be valuable for a fuller assessment to be undertaken of a range of possible innovative approaches that may support the achievement of good consumer outcomes in the UK postal market and the potential to support the delivery of these within a future USO. This assessment should include a detailed analysis of the relevance and applicability of each potential innovation to the UK, including the underlying conditions that may be required for such approaches to be effective.
- A comprehensive analysis should be undertaken of a range of services and protections that are not currently included in the USO, but which may be required by consumers in the future. This could include, for example, the introduction of some form of quality of service standards for Scottish island postcodes, the provision of services such as mail tracking, or new interventions to improve access to mail for consumers of no fixed abode. Modelling and consumer engagement should be undertaken on the financial implications of such changes, and the potential trade-offs that may be involved in the provision of these services.

***Evidence and analysis on the environmental and social impact of the USO for consumers***

- A more detailed analysis is required of consumer understanding, views and preferences on the environmental sustainability of mail delivery and any trade-offs that consumers may face in the journey to a net zero USO. It would be beneficial for this analysis to be disaggregated by geographic and demographic consumer group, so that the perspectives or concerns of different consumers are well understood and accounted for.
- Further quantification, potentially using a Social Return On Investment (SROI) model, is required of the social benefits that the postal service delivers to consumers, including the personal, community and societal value of these benefits. Each potential option to amend the USO should be assessed against this analysis, to enable a fuller understanding of the potential risks to consumers of such changes, with options provided for how these risks might be mitigated.

***Evidence and analysis on the interrelationship between postal services and other parts of the UK's communications infrastructure and the implications of changes to the USO for consumers in this context***

- A detailed assessment should be produced of consumer digital capability, ability and willingness to shift to digital delivery channels, segmented by different population groups. All possible options to reform the USO should be assessed against this analysis,

with the specific implications for different consumer groups set out and options to mitigate risks to consumers included within any proposals for change.

- An analysis of the UK's broadband roll out plans should be provided, including assessment of which geographic areas are likely to experience the least developed broadband market over the next decade in terms of availability and choice of providers. This analysis should be considered against all possible modifications to the USO, to provide an assessment of the potential implications of any specific USO change for consumers in rural areas in terms of access to communications channels, with clear plans for how any specific risks to these consumers will be mitigated.
- An assessment should be provided of how each possible option to amend the USO may impact on the post office network, given the significant interrelationship between mail and post office services for consumers. Consideration should also be given to the future development of the post office network and any possible implications of this for the delivery of the USO in the future.

### ***Evidence and analysis from other countries***

- The assessment of changes made to universal postal services in other countries should be developed further to include for each comparison country:
  - analysis of the digital infrastructure and digital literacy levels, to understand the applicability of learning for the UK;
  - analysis of how consumers have been engaged in the change process;
  - analysis of available evidence on how consumer outcomes and wellbeing have been impacted by the changes to the universal postal service.

## **Process for Determining the Future USO**

The postal service is a core part of the UK's national infrastructure, providing an essential service to consumers.

The current USO arrangements have been in place for more than a decade. Consumer Scotland agrees that it is appropriate that these arrangements are reviewed, given changing consumer needs now and in the future and the significant current difficulties being experienced by postal consumers in terms of the affordability and reliability of the mail service.

We welcome the work undertaken by Ofcom to initiate a discussion on the future of the USO. Similarly, we recognise that Ofcom undertakes a substantial ongoing programme of consumer research on the postal services market, which has informed the development of the Call for Input process.

It is clearly essential that any changes to a complex infrastructure service such as the USO are fully explored and tested. We have described above a range of additional evidence and

analysis that we recommend is required at this stage. Alongside this is the need for the process for USO reform to be comprehensive and inclusive, taking place over an appropriate period of time to allow for a range of potential models and options to be identified, examined and approved by a wide range of stakeholders, including consumers.

The value of a strategic, in-depth process for identifying the best future approach, is that if delivered effectively and successfully then a consensus on the most appropriate model can be achieved, with all stakeholders, including consumers, feeling commitment to and ownership of the final outcome.

For this type of multi-stakeholder strategic planning, there are a range of models from different sectors that have put consumers at the centre of decision-making and which may provide a useful template for the further development of options for the future of the universal postal service. These include, for example:

- The creation by the Water Industry Commission for Scotland of a dedicated Customer Forum to negotiate with Scottish Water during its Strategic Review. The Commission indicated that it would be 'minded to agree' with the company's business plan if it had been agreed by the Customer Forum, which resulted in a 25-year strategy being agreed with significant alignment to consumer priorities.
- The requirements that Ofgem and Ofwat both placed on companies to establish Customer Engagement Groups during their recent regulatory reviews of energy networks and water companies

The future design of the universal postal service may require consumers to make a complex set of trade-offs or choices, in terms of their preferences. This type of consumer involvement is often best developed through iterative, ongoing, deliberative work, where consumers can fully explore the potential implications, benefits and risks of a range of scoped out possible models, giving consideration to key interdependencies and exploring implications for different consumer groups.

Ofcom is well-placed to undertake this type of deep dive, iterative, deliberative work, building on its existing programme of consumer research. Consumer Scotland has experience of deliberative research of this nature in other sectors and would be pleased to share our experience with Ofcom, and indeed to work with it if that were helpful.

This consumer engagement should sit alongside a clearly structured and timetabled programme of stakeholder deliberation, review and decision making. We suggest that this could involve a range of working groups with representation from government, Ofcom, industry, consumer groups and other key stakeholders. There are different models for how such an approach could be constructed. For example, one approach that we have seen applied effectively in other sectors is for different working groups to take responsibility for

developing specific aspects of potential service reform, reporting to a senior strategic group which then agrees an overarching set of recommendations to be taken forward.

It is important that in any model of this nature, that the consumers engaged in deliberative work and the stakeholders engaged in a shared, collaborative process have a clearly defined, agreed and understood role in delivering the core recommendations for service reform. The final decisions will ultimately reside with government, parliament or the regulator, but these should be guided by clear consumer and stakeholder recommendations.

We recognise that constructing this type of process may present some challenges, including the timescales required to deliver such an approach effectively. Nevertheless, we anticipate that the advantages of such an approach would outweigh these issues and if delivered effectively would provide a robust, well-evidenced and resilient approach to delivering a future USO centred on consumer needs and supported by stakeholders from across the sector.

**We recommend that Ofcom considers the points above and sets out a comprehensive plan for further work to consider the future of the USO, with a range of options for how stakeholders and consumers can be placed at the heart of this process and given a central role in decision-making.**

### **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?**

We agree that Ofcom have identified the correct aims, supporting principles and features of the USO. However, these principles and features are not all currently being fully realised within the existing USO, presenting challenges for consumers. It is important that any consideration of the future of the USO gives a central focus to the practical action that will be required to ensure that all of these aims, principles and features are achieved.

We provide below our comments on the aims, principles and features where we have specific feedback to offer.

#### **Social Cohesion**

We agree with Ofcom that social cohesion is an important purpose of the universal postal service. We support the description of this purpose set out in the Call for Input document, including the recognition of the particularly important role that the postal service has for rural and remote consumers and for consumers who may otherwise be at risk of social or economic exclusion.

In this context we would highlight the important data in Ofcom's Connected Nations report, which shows that consumers in Scotland have access to the lowest full fibre coverage and lowest superfast broadband coverage of all UK jurisdictions. Scotland also has the highest percentage of households 'not able to access decent broadband'<sup>14</sup>. It is also particularly worth noting the data in that report which shows that the three local authority areas in Scotland with the lowest residential superfast broadband coverage are the same three areas currently outside of Quality of Service targets in the USO for post.

More broadly, Consumer Scotland research published in 2023, and cited in the Overview to our response, found that the postal market remains an important service for consumers in Scotland. Around two thirds of participants report that they send either personal or formal correspondence, with slightly more choosing first-class (65%) rather than second-class (62%) stamps for these purposes. Parcels are even more widely used, with three-quarters of adults in Scotland (78%) reporting they send these.

Consumer Scotland's data also highlights that letters continue to hold an important role in supporting social cohesion . Birthday cards were the most commonly sent form of letter (sent by 79% of those consumers who had sent a letter in the last year ). The majority of those who send letters are writing to family (average of 63%, increasing with age from 47% for 16-24 year olds to 69% for 55+) and friends (average 54%, also rising with age from 47% for 16-24 year olds to 61% for 55+).<sup>17</sup>

## **Economic Growth**

We agree that economic growth is an important purpose of the USO. In particular we support the particular recognition of the importance of the postal services for small businesses.

Consumer Scotland's remit includes small businesses when they are acting in the capacity of consumers. Our 2023 research on consumer views on the universal postal service found that amongst those consumers who are keen to maintain six-day and weekend delivery, key reasons were timeliness and quality of service, with some small business owners reporting that they worked and sent letters during the weekend<sup>15</sup>.

Citizens Advice research has highlighted the difficulties that ongoing problems with quality of service in the postal service have posed for small businesses, with a quarter of small businesses experiencing a letter delay in the previous month. Of these two in three reported negative impacts, such as the loss of a customer or payment delays<sup>16</sup>.

## **Interaction Between Citizens and State**

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<sup>14</sup> [Connected Nations 2023 - Scotland report \(ofcom.org.uk\)](https://www.ofcom.gov.uk/consult/condocs/connectednations/connectednations2023-scotland-report/)

<sup>15</sup> [the-universal-postal-service-consumer-scotland-insight-report.pdf](#)

<sup>16</sup> [Postal problems cause big challenges for small businesses | by Lucy Whitaker | We are Citizens Advice](#)

We are supportive of this purpose of the USO as set out in the Call for Input and we agree with the statement in the Call for Input document that while the public sector in the UK is increasingly seeking to communicate with consumers digitally, the postal service is likely to remain an important communication method for the foreseeable future.

We would suggest that the definition of this purpose of the USO is extended to include interaction between citizens and other essential services, in addition to those provided by the state. This would include, for example, communications with financial services providers and utilities companies.

Consumer Scotland's previous research<sup>17</sup>, as set out in the overview to this response, has illustrated that mail continues to play an important role in interactions between the state and citizens. Our evidence has shown that for those communications which are not personal, sending letters to government departments, local authorities and banks remain important for consumers, with 31% of letters sent by consumers being identity documents.

Institutions (both public and private sector in nature) which support access to essential services remain a key destination of mail sent by consumers. Of all those who send letters in Scotland in our sample, 38% had sent letters to a government department, 22% to a local authority or council, and 15% had used mail to communicate with a bank or banking institution<sup>18</sup>.

### **Universality and Accessibility**

We agree with Ofcom that universality and accessibility should be core elements of the universal postal service and we agree with the key tenets of Ofcom's description of these goals. That is, that all consumers should have access to a national network and a set of postal services, wherever they live, and that there should be specific services to support the inclusion of those groups of consumers who may be more dependent on post.

It is important to recognise that universality and accessibility are not being achieved as fully as they might be within the current USO and we provide below some suggestions in this regard. In addition, it is reasonable to anticipate that the provisions that may be required to realise these goals may have changed since the 2011 Postal Services Act, given changing consumer experiences and behaviours in this period. The Call for Input on the future of the USO provides an ideal opportunity to identify additional provisions that may be required to address existing gaps in the realisation of the universality and accessibility; and to consider new interventions to deliver these goals which recognise the changing context for consumers.

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<sup>17</sup> [The Universal Postal Service | Consumer Scotland](#)

<sup>18</sup> [The Universal Postal Service | Consumer Scotland](#)

**The Call for Input document does not provide any details of additional interventions that may be required to achieve universality and accessibility in a future USO. We recommend that as part of the next steps in this work, Ofcom considers what additional provisions may be required to deliver on these goals in future. In particular, we recommend that consideration is given to the following issues:**

- As described above, the current USO arrangements do not include any Quality of Service targets for three Scottish post code areas (HS, KW, ZE). The work to consider the design of a future USO should consider whether there is an opportunity to provide some form of quality of service protection to consumers in these three areas.
- At present, those who are experiencing homelessness, those who are victims and survivors of domestic abuse and those who are from a Roma, Gypsy or Traveller community can struggle to access post. Citizens Advice research<sup>19</sup> indicates that around 7 million consumers were unable to access post at some point between 2010 and 2020. The next steps in the work to consider the future of the USO should include detailed work to identify changes that could be made to the existing system to improve access to post for those who are temporarily or permanently excluded from the current arrangements. This should build on the important work undertaken by consumer organisations on this issue.
- Royal Mail currently charges lower prices for a number of its products when these are purchased online, compared to in a post office. Ofcom's 2023 Communications Market Report<sup>20</sup> shows that home internet take-up is lowest in Scotland of all UK jurisdictions at 87%. This falls to only 74% amongst those in socio-economic group DE. In considering the future design of the USO, consideration should be given to how those who are digitally excluded can be protected in terms of equal access to mail services, recognising that this is a group of consumers who are particularly dependent on post.

## **Affordability**

We agree that affordability should be a key principle of the USO and we agree with Ofcom's description that the objective of this principle should be that the price of universal post products does not act as a barrier to consumers accessing postal services.

We are concerned that the current USO arrangements do not give sufficient protection to the affordability of postal services. In particular, we note that the price of a first class stamp has almost doubled during the past five years, from 70p in 2019 to £1.35 from April 2024. As highlighted above, Consumer Scotland research<sup>21</sup> found that even before two price rises in 2023, and a further rise in April 2024, consumers in Scotland were experiencing significant challenges in the affordability of postal services:

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<sup>19</sup> [Access 20to 20Post 20report 20final 20 1 .pdf \(ctfassets.net\)](#)

<sup>20</sup> [Communications Market Report 2023: Interactive data - Ofcom](#)

<sup>21</sup> [The affordability of the Universal Postal Service | Consumer Scotland](#)

- 19% of consumers said they would find it difficult to afford to buy a book of second class stamps (then costing £5.44) when thinking about the following week
- 15% of those who send letters or parcels said they had struggled to afford postal services in the last 12 months
- 28% of those who struggled to afford postal services said they had to forgo paying for or using essentials, such as food or energy, in order to pay for postage
- 30% of consumers said redirection services were “much too expensive”

Postal services can be particularly important for some groups of consumers who are more likely to be on low incomes, for example to send important documents and to engage with essential services. Research from Citizens Advice shows that a third (34%) of people surveyed said they would struggle to manage their finances without post. This rises to almost half for those on a low income (47%) and disabled people (46%)<sup>22</sup>.

Consumer Scotland analysis has highlighted the differing impact of the cost of living crisis for different groups of consumers in Scotland over the past two years. Specifically, the fifth of households in Scotland with the lowest incomes experienced inflation at over 18% between January 2022 and January 2024, while the fifth of households with the highest incomes experienced inflation at less than 14% during the same period<sup>21</sup>.

In this context, we are concerned that the Call for Input document does not include any detailed assessments of how the affordability of postal services could be protected for consumers in any new configuration of the USO.

We note that the document suggests, at paragraph 9.100, that if changes to the USO were to improve the sustainability of Royal Mail then the company may be able to place a greater focus on innovation and providing more support for vulnerable consumers. Consumer Scotland does not agree with this assessment, as there is no obvious regulatory or market incentive for Royal Mail to respond in that way. As noted above, we do not think that it is sufficient or appropriate for the mechanisms to protect the affordability of USO postal services to be determined by the monopoly provider of these services. A robust set of regulatory interventions to protect affordability will be required in any future USO arrangements, particularly given the significant price rises in first class stamps in recent years and the wider cost of living pressures being experienced by consumers.

In this context, we are also concerned at the text in paragraph 9.53 in the Call for Input, which suggests that Ofcom considers that the safeguard cap ‘may not be compatible’ with a particular scenario for USO reform.

We highlighted in our Response to the Second Class Safeguard Cap consultation<sup>23</sup> in 2023 that our assessment is that safeguard caps are necessary and appropriate measures to protect the affordability of essential postal services for consumers. We also indicated that

<sup>22</sup> [Access 20to 20Post 20report 20final 20 1 .pdf \(ctfassets.net\)](#)

<sup>23</sup> [Response to Ofcom's consultation on the Review of Second Class Safeguard Caps 2024 \(HTML\) | Consumer Scotland](#)

we would support consideration being given to the development of a targeted affordability scheme to support low income consumers, provided such a scheme was considered as an addition to existing safeguard caps, not as replacement or dilution of these.

**We recommend that as part of the next steps of the work to consider the future arrangements for the USO, Ofcom should undertake detailed work to set out how the affordability of postal services will be protected for consumers. This should include:**

- Setting out how existing safeguard caps will be protected in any proposals for new USO arrangements
- Examining and publishing analysis on options for extending affordability protections to additional mail products, where possible and appropriate
- Examining and publishing analysis on options for introducing additional, targeted affordability schemes for consumers on low incomes, to augment and strengthen market-wide safeguards.

### **Uniform Pricing**

We agree that uniform pricing is a core principle of the USO. We support the ‘one-price-goes-anywhere’ definition of this principle. We agree with the Call for Input document in recognising the importance of this principle in protecting consumers in rural and remote areas, as well as providing a transparent, simple and easy to understand pricing structure for all consumers.

Consumer Scotland research has highlighted the support for this principle amongst consumers in Scotland. Nearly 4 in 5 consumers (78%) regard this as an important aspect of the USO<sup>24</sup>.

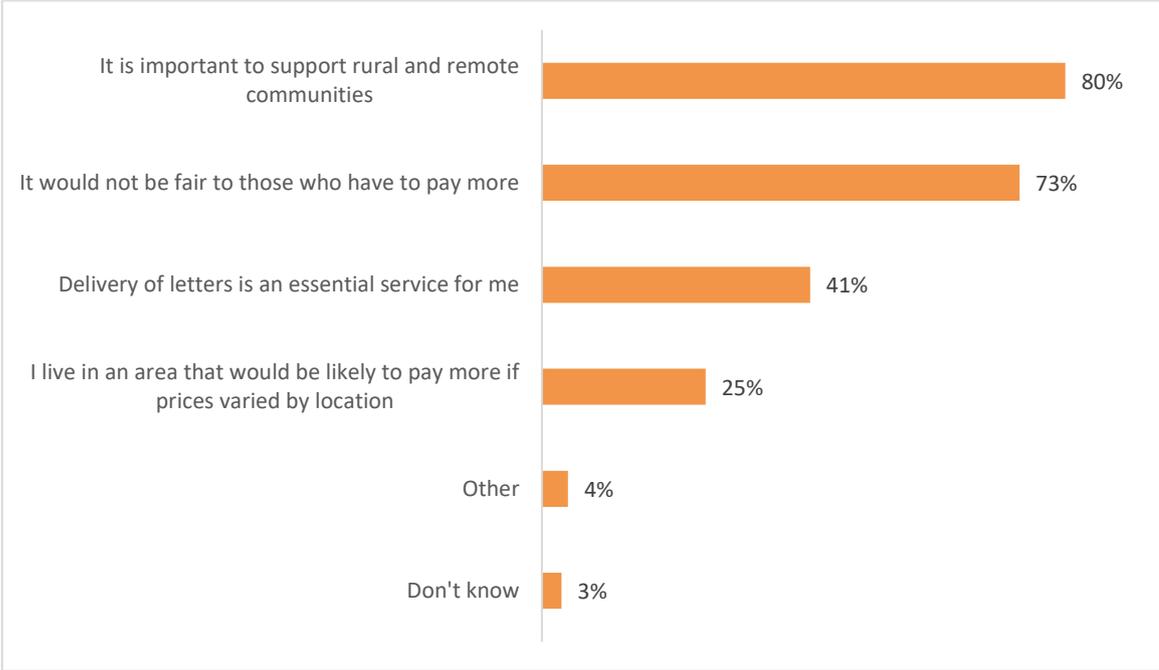
Furthermore, our research found that nearly three quarters of consumers (73%) felt it would not be fair to those who have to pay more if the single rate was removed, while 80% of consumers said it was important to support rural and remote communities. One in 4 (25%) consumers in Scotland said they live in an area that is likely to pay more if prices varied by location, while half of rural consumers in Scotland said delivery of letters is an essential service for them (49%)<sup>25</sup>.

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<sup>24</sup> [the-universal-postal-service-consumer-scotland-insight-report.pdf](#)

<sup>25</sup> [the-universal-postal-service-consumer-scotland-insight-report.pdf](#)

**Figure 1 – Consumer reasons for the importance of Royal Mail sending letters at a single rate to any location in the UK**



*Survey Question: Royal Mail delivers letters to any part of the UK at a single rate, whether the area is urban or rural. Which, if any, of the following are reasons why it is important to you that Royal Mail delivers letters at a single rate to any location in the UK? (Please select all that apply)*  
*Base: All adults living in Scotland who think it is important Royal Mail delivers at a single rate (n=1118)*

**Reliability**

We agree that reliability should be an important aspect of the USO. We agree with the description of this feature in the Call for Input document, that items should arrive when promised, as protected by Quality of Service targets.

As indicated in the Overview to our response, consumers in Scotland are currently experiencing significant difficulties in seeing this feature of the USO realised, with Quality of Service targets not by Royal Mail over a number of years.

In 2022-23<sup>26</sup> there were five postcode areas in Scotland (AB, DG, EH, G, TD) in where Royal Mail performed better than the UK average of 73.7% across the year for First Class mail delivery within one working day. However, the highest performance achieved amongst these five areas was still under 80%, well below the regulatory target of 93%. There were two postcode areas in Scotland in 2022-23 (KY, ML) where Royal Mail’s performance matched

<sup>26</sup> <https://www.internationaldistributionsservices.com/media/12024/quarterly-quality-of-service-and-complaints-report-2022-23-q4.pdf>

the UK average and there were six postcode areas in Scotland (DD, FK, IV, KA, PA, PH) where Royal Mail's performance was below the UK average for the year.

Research by Citizens Advice in 2022 found that nearly one in four (24%) GB consumers who had experienced a letter delay had faced harm as a result<sup>27</sup>. Enforcement action by Ofcom, in the form of a £5.6 million fine for this under-performance in 2022-23 does not yet appear to have produced an improvement in the reliability of mail delivery in 2023-24, causing further consumer detriment.

The Call for Input document does not set out specific details for how any of the proposed options for reconfiguring the USO will improve quality of service standards in practice.

**As part of its next steps in this work we recommend that Ofcom undertakes detailed modelling for each possible option for an adjusted USO, to demonstrate how quality of standards will be improved, monitored and enforced with that option.**

We suggest that it would be useful for this analysis to include:

- an assessment of whether the existing tools available to Ofcom to ensure compliance with quality of service targets under the USO are sufficient; and
- identification of any additional resources or powers that Ofcom would find helpful in enforcing these targets.

## **Timeliness**

We agree that timeliness is an important feature of the USO and that it is achieved through the requirements that are set for collection and delivery frequency and for speed of delivery.

There is clearly a significant interrelationship between timeliness and reliability. We have set out above our concerns in relation to Quality of Service and we have made a number of recommendations for additional work that is required on this as a core part of the next steps in developing models for a future USO.

The Call for Input document sets out substantial evidence on consumers' views about the importance of timeliness in deliveries.

Consumer Scotland's 2023 research on the universal postal service includes the following findings relevant to the timeliness of mail delivery for consumers in Scotland<sup>28</sup>:

- More than half of consumers (53%) in Scotland regard six-day deliveries as important, with a fifth (20%) regarding these as very important.

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<sup>27</sup> <https://public.flourish.studio/story/1793346/>

<sup>28</sup> [the-universal-postal-service-consumer-scotland-insight-report.pdf](#)

- 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%).

Participants in our research 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. A selection of verbatim responses from our respondents are below:

*“An example would be, say, a cheque in the post or perhaps a sick line - something where I would be keen to receive the post it is a benefit to have a Saturday delivery”*

*“I get nhs [sic] letters that are already delayed, also I have family around the UK as well as US so it’s important to me that the communication can be regular.”*

*“If it takes a few days for a letter to be delivered and it’s not going to be delivered at the weekend, you could be waiting a long time before you receive it. This is particularly problematic if it’s a letter from a hospital or government agency that involves a deadline.”*

*“Because sometimes you're waiting for important correspondence and having 6 days of delivery means you might get it sooner.”*

*“You could be anxiously waiting for correspondence and looking each day for something important”*

*“I work Monday to Friday so I am not home [to] receive anything, Saturday I am home and able to receive/sign for post”*

These individual reflections from consumers illustrate the different reasons why consumers use postal services, the importance of these services to them and their preferences for how they engage with these services.

Alongside consumers’ own views on the importance of six-days a week delivery, we have provided a number of recommendations in the Overview to our response and under Question 3, about further work that we have identified is required in relation to how bulk mail providers use the postal system. These recommendations focus on building a deeper understanding of the potential implications that any changes to the USO would have for how bulk mailers engage with consumers and the impact of this for consumers.

Our research with consumers in Scotland specifically explored consumers’ views on Saturday deliveries<sup>29</sup>. Around half (48%) of consumers regarded weekend deliveries as an important part of the letters market. When we asked research participants about their views on potential changes from six days a week to five days a week delivery, over a third (37%) said Saturday was the day they would choose if Royal Mail had to stop delivering one day in the week. This was comfortably the most popular option, with Wednesday scoring the second

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<sup>29</sup> [the-universal-postal-service-consumer-scotland-insight-report.pdf](#)

highest at 16%. This is consistent with the evidence gathered by Citizens Advice Scotland in 2021, which found that 1 in 3 (35%) consumers regarded Saturday as the most acceptable day to lose deliveries.

Consumer Scotland's research asked those consumers who placed importance on weekend delivery by Royal Mail were asked why they felt it was important. They commonly expressed that they are more free on a Saturday/weekend to receive letters, as the quotes below highlight:

*"Sometimes I can't be in to receive post on weekdays so if there weren't a weekend delivery I couldn't get it"*

*"If I need something I've ordered ASAP or I need something I posted to arrive ASAP, then that extra day makes the difference between it getting there on time or not."*

*"I get appointments from the NHS. These appointments are sometimes urgent and they never send emails. I also get my prescriptions delivered. Sometimes my Postie is the only one I see."*

*"...[The] weekend is when my husband and I don't work and [the only time we] can arrange for parcels to be delivered on a Saturday."*

*"Letter[s] shouldn't stop at weekends as mostly working during the week and some need time to answer at weekends."*

These are important reflections, and it is essential that any future consideration of proposals to reduce weekend postal services takes account of such consumer perspectives. In particular, it is important that consumers who are unable to receive mail during the week do not experience disadvantage, either through having a poorer quality postal service at their disposal, and/or being at greater risk of harm in their engagement with other markets and services.

## **Security**

We agree that security is an important feature of the USO. Our research with consumers in Scotland highlighted that recorded delivery, tracking of mail and special delivery are all well-regarded aspects of the letters service, with 82%, 80% and 63% of consumers respectively regarding these as important<sup>30</sup>.

We are supportive of consideration being given to innovations in the mail delivery system to help improve outcomes for consumers and deliver an efficient, sustainable, consumer-focused USO in the future. In any innovative approach proper consideration must be given to potential risks for end users and we would suggest that mail security and integrity are

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<sup>30</sup> [the-universal-postal-service-consumer-scotland-insight-report.pdf](#)

specific issues that should be given particular attention in the development of any innovative approaches to mail delivery in future.

**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?**

As highlighted in the Overview of our response, postal services are important to consumers in Scotland and these consumers value the different aspects of the USO.

Key findings from our 2023 research with consumers in Scotland include<sup>31</sup>:

- Nearly two thirds of adults in Scotland had sent first (65%) and second class letters (62%) in the last 12 months, while just over three quarters (77%) had sent parcels.
- Letters remain important for consumers to communicate with each other, with birthday cards the most commonly sent form of letter (79% of those consumers who had sent a letter in the last year had sent these).
- The majority of those who send letters are writing to family (average of 63%, increasing with age from 47% for 16-24 year olds to 69% for 55+) and friends (average 54%, also rising with age from 47% for 16-24 year olds to 61% for 55+).
- For those communications which are not personal, sending letters to government departments, local authorities and banks remains important for consumers, with 31% of letters sent being identity documents.
- When asked about different aspects of the letters market, our research found consumers in Scotland placed the highest importance on tracking and recorded delivery at 82% and 80% respectively. Delivery of letters at a single rate to anywhere in the UK is an important aspect of the USO for consumers in Scotland, with nearly four in five (78%) regarding this as important.
- Conversely, consumers in Scotland rated the importance of six days of letter delivery and letter delivery at the weekend considerably less at 53% and 48% respectively, albeit this still shows that around half valued these aspects of the USO.

The Call for Input document sets out the findings from Ofcom research on consumers' needs from the USO. We recognise that Ofcom undertakes a substantial programme of research on consumers' views of postal services. The findings presented in the Call for Input provide an important foundation for considering the future design of the USO.

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<sup>31</sup> [the-universal-postal-service-consumer-scotland-insight-report.pdf](#)

However, we have identified the following areas where further research and analysis is required to develop a comprehensive picture of consumer needs and how these may change in future:

**Understanding how to mitigate risks of change for consumers in vulnerable circumstances:**

The Call for Input identifies those who are most dependent on postal services as:

- those without internet access
- those in rural and remote areas
- consumers with mobility issues
- older users

However, there is limited analysis in the Call for Input of the specific actions that would be required to mitigate the risk of changes to the USO for these different consumer groups. It would be important, for example, to gather feedback on the desirability and effectiveness of potential mitigations with each of the identified groups, to ensure that any future USO arrangements deliver effectively for these consumers. Given the higher degree of reliance amongst these consumers on postal services, it would be appropriate to include them at the centre of the design process for the future USO and we recommend that Ofcom considers how this might be achieved.

**Deeper exploration of intersectionality:** While the Call for Input highlights specific groups of consumers who are more dependent on postal services, it does not include any analysis on intersectionality. For example, if a consumer is older, lives in a rural area and does not have internet access, then what does this mean for their reliance on postal services and what mitigating actions may be required to prevent consumer detriment? We recommend that Ofcom undertakes and publishes further analysis on the compound effects for consumers who may be more dependent on postal services for multiple reasons. Ofcom should set out the particular interventions that it thinks may be required to ensure the interests of these consumers are protected in any future USO arrangements.

**Interrelationship with affordability and reliability:** The Call for Input presents research on consumers' anticipated needs in terms of frequency and speed of the mail service. As a next step, this analysis should be integrated with an assessment of fundamental consumer outcomes around affordability and reliability. It is not clear what assumptions consumers who participated in the Call for Input research may have made around the affordability and reliability of the postal service when indicating their anticipated preferences for frequency and speed of delivery. This is important given the significant difficulties that consumers have experienced in both the affordability and reliability of postal services in recent years. If there were to be reductions in speed or frequency of delivery in future, then it is essential that the affordability and reliability of mail services are robustly protected. However, as noted elsewhere in our response, the Call for Input document contains limited details about how these core consumer outcomes would be better achieved in practice in any new USO

arrangements. Deeper, deliberative work with consumers would help to explore these issues further and ensure that consumer views about how any new system may work in totality are fully understood.

**Relationship between the USO and bulk mail and its impact on consumer needs:** The Call for Input document includes some findings from consumer research on the type of mail that consumers receive and consumers' views about the urgency of this mail. Some of the mail types considered in this analysis are likely to be delivered as bulk mail, from financial service providers, utilities companies, or public bodies. As noted above, while bulk mail sits outside the USO, the configuration of the USO has an impact for the delivery of bulk mail, particularly in terms of the number of delivery days. The analysis of user needs in the Call for Input does not include a detailed sector-by-sector assessment of bulk mailers' requirements from the system. Undertaking this work will be an important next step, to examine the urgency for bulk mailers of delivering certain types of mail to consumers, the consumer benefits that flow from that speed of delivery, and the implications for consumers (from the sender's perspective) if there were to be changes to the USO. We recommend that further analysis is undertaken and published on these questions, to provide a more complete assessment of the implications and potential risks for consumers of different future USO models.

**Further exploration of environmental issues:** We welcome Ofcom's work in the Call for Input document to examine the potential environmental impact of different changes to the USO. We agree that these questions should be part of the discussion about the future design of the USO. However, at present the analysis on environmental aspects is considered as a separate, parallel issue to the discussion about consumer needs. We recommend that a different approach should be taken as part of the next steps in this work, as consumer understanding and views should be central to any assessment of how the USO may need to adapt to help achieve environmental outcomes. Deliberative work with consumers to explore these issues and giving consumers a clearer role in the decision making process around environmental reforms would be an appropriate way to advance this issue.

**A future-focused conversation on consumer needs:** The consumer research in the Call for Input focuses on the particular principles and features that consumers may expect from the USO. When examining specific services that may achieve these principles, the research primarily focuses on the existing USO arrangements or reductions in these (e.g. slower delivery or fewer delivery days). However, in taking a future-focused approach to the USO – recognising that it may be a number of years before the USO is reviewed again – it would also be useful to examine new services or provisions that consumers might consider should be included in any future USO arrangements (for example, tracking of mail). Consumer views about trade-offs or changes that might be required in order to achieve any new services in the USO should be gathered as part of this process.

**Trials / pilots to examine impact for consumers in practice:** The changes to the USO modelled by Ofcom in the Call for Input may have significant consequences for consumers.

To improve the robustness of the understanding of consumer needs we would suggest that Ofcom considers the feasibility of trialling or piloting any proposed changes for a set time period or in a limited number of locations, before any wider roll-out is considered. Data from any such pilots would need to be robustly analysed, evaluated and published to identify any possible consumer detriment and to provide transparency. We recognise however that there may be practical barriers to advancing this type of approach.

### **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?**

As we set out in our Overview comments in the response, we recommend that a more detailed assessment is required on the UK bulk mail sector, in order to understand the implications for consumers in their receipt of important bulk mail that may arise from any changes to USO.

Specifically, we would recommend that the following evidence and analysis should be produced and published:

- A detailed review of the specific changes that bulk mailers may be required to make to their processes to take account of any changes to the USO (for example in terms of the number of delivery days).
- A segmentation of this evidence by the sector of mail senders (for example, from financial service providers, utilities companies, or public services) and volume, and analysis of the implications for domestic consumers and small businesses if there were to be changes in the frequency or speed of delivery for each of these different types of mail.
- A particular assessment of the capacity of public sector providers to action any significant changes in their logistics systems, given the significant financial pressures facing most public bodies. It should be noted that from April 2024, public bodies in Scotland will need to comply with a new Consumer Duty, which requires organisations to give regard to consumers when taking strategic decisions. The potential implications of this duty for how public bodies communicate with consumers in Scotland should be considered when models for a future USO are being further analysed.
- An assessment of the current trend in digitisation of public services in the UK, to enable a future-focused assessment of potential bulk mail trends from these sectors in the coming years.
- Detailed evidence on engagement with other regulated sectors, including financial services and utilities providers, to understand the implications of any changes to the USO in the provision of important bulk mail to consumers that may be sent as part of companies' regulatory requirements and which are important for consumers.

#### **Question 4: Are there specific events/changes that could trigger a significant change in demand for large mail users, including public services?**

This question is best addressed by large mail users themselves, as part of the more in-depth engagement process we have suggested should be conducted with bulk mailers as the discussion on the future of the USO develops. However, there are clearly some potential changes which, dependent on their degree, could materially change the level of demand large mail users have of the system and which would impact upon consumers.

The rate of digitisation of the public sector, or a more substantial shift to 'digital as default' as the means of access to a broader range of public services, would have a meaningful impact on the level of mail usage and broader throughput in the system. As part of the next stage of this process, we would welcome Ofcom setting out some scenarios (based on detailed engagement with large mail users) which sets out how mail volumes from this group of users could evolve in future and the implications of these potential changes for consumers.

Linked to the former point, the expectations of regulators across sectors can set requirements for hard copy mailings of certain information to consumers and small businesses. This may place obligations on businesses operating in these sectors to make use of the mail system (or offer this as an option) when they would otherwise consider e-substitution or digital as the sole means of communication.

An important aspect of any further progress in reconsidering the scope of the USO should include engaging with regulators such as the Financial Conduct Authority to understand these requirements, the basis on which they were originally implemented, and the level of scope for altering these requirements in relation to any preferred options for change.

Given Ofcom's role as a regulator more broadly for the UK's communications sector, it would be helpful for future stages of the debate on the USO for Ofcom, and indeed other public bodies (and private sector essential service providers) to set out how they view the role of the postal service in their wider resilience planning around the UK's communications infrastructure.

While it is reasonable to have the expectation that digital communications will increasingly act as a default touchpoint for consumers, a major outage in digital infrastructure could have significant consequences for society and consumers, which would be substantially worse if certain capabilities of the postal service (to act as a backstop / resilience mechanism) are lessened as a result of USO reform.

With this in mind, we recommend that a further useful action for Ofcom to consider would be engagement with large mail users around how the postal service is incorporated into their resilience planning. Engagement with the UK and Scottish Governments, and the National Cyber Security Centre, would act to provide assurance that potential USO reform is

not undermining any assumptions that are built in to resilience planning regarding the role of the postal system. Ongoing engagement would ensure that any final reforms to the system are reflected in contingency plans for any disruption in digital infrastructure developed by these bodies.

The National Risk Register may also provide a useful tool for analysing the role of the postal service in the context of a range of strategic risks, and any implications that possible changes to the USO might bring in this regard.

## **Question 5: Do you agree with our proposed approach to estimating the financial burden of the USO?**

We answer questions 5, 6 and 7 collectively here.

### **Efficiency review**

We would welcome further clarity on Ofcom's overall approach as set out in the Call for Input document in terms of how it has reviewed the cost of USO obligations.

As Ofcom sets out in the Call for Input, it has a statutory responsibility to secure the provision of a universal postal service, having regard to the need for it to be financially sustainable and efficient.

Ofcom also notes in the Call for Input document (at paragraph 8.5) that when carrying out an assessment of the financial burden of the USO, it has a requirement to consider whether Royal Mail is complying with the USO in a cost-efficient manner.

In the Call for Input, Ofcom highlights in a number of places its concerns about Royal Mail's efficiency. For example:

- In the opening to Chapter 2 the document states *"we have grown increasingly concerned about the financial sustainability of the USO and Royal Mail's capacity to deliver an efficient service"*.
- At paragraph 2.13, Ofcom report that *"We recently strengthened our efficiency monitoring regime by requiring Royal Mail to publish its expectations for improvements in efficiency for the next five-year period, and to annually publish progress against them"*.
- At paragraph 8.43 the document states: *"Royal Mail has struggled to meet its obligation to deliver its USO services efficiently as it has regularly failed to meet its efficiency targets over the years since privatisation. This has meant that Royal Mail's costs are higher than they otherwise could be, which has in turn had a negative effect on its financial sustainability"*

Despite these concerns and the statutory remit that Ofcom has to carry out a review of Royal Mail's efficiency when considering the financial burden of the USO, the Call for Input does not appear include such a review as part of the financial considerations set out in the document. This is in contrast to the assessment of the financial sustainability of the USO, which is explored in some depth in the Call for Input document.

We recognise that as part of the modelling work in the Call for Input Ofcom has taken account of Royal Mail's own efficiency estimates, which Ofcom recently required Royal Mail to produce. However, this approach is clearly different from a fuller, independent, efficiency review.

An in-depth independent review of whether Royal Mail is meeting its USO obligations in a cost-efficient manner appears to represent an important evidence gap in terms of understanding the financial burden of the USO. This is a key consideration for consumers, as it would not be appropriate to reduce the scope of the USO to alleviate financial challenges being experienced by the USO provider if some portion of these challenges should be addressed through efficiency improvements.

**We would welcome Ofcom providing further clarity on its approach to reviewing Royal Mail's efficiency as part of its financial assessment of the USO burden, as set out in the Call for Input document. We recommend that a full, independent efficiency review is conducted by Ofcom as part of the next steps in this work.**

#### **Calculating intangible benefits**

The Call for Input document recognises the significant 'intangible benefits' that Royal Mail can derive from its designation and status as the USO provider. These include its brand, visibility, reach and negotiating power.

No assessment of the value of these benefits is provided as part of the financial estimations included in the Call for Input document. This is an important gap and we recommend that Ofcom undertakes and publishes its quantification of these benefits as part of its next steps.

#### **Question 6: Do you agree with our considerations regarding the unfairness of the financial burden of the USO?**

Please refer to our answer to Question 5

#### **Question 7: Do you agree with our considerations regarding the impact of the financial burden of the USO?**

Please refer to our answer to Question 5

**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 why and set out any option(s) which we have not considered.**

We address Questions 8 and 9 together in this answer.

We do not offer a specific view on the three options set out in the Call for Input document. As set out in the Overview to our response, we have identified an extended set of additional evidence and analysis that we have recommended is required before an assessment of any specific options for change can be made.

As described in the Overview, our assessment of the Call for Input is that it is currently too narrowly focused on the specific issue of the financial sustainability of the USO provider. In giving pre-eminence to this consideration, important as it is, the Call for Input document does not give sufficient attention to the potential value of a wider strategic review of the future of the universal postal service, focused on consumer outcomes now and in the future.

The current configuration of USO has been in place for more than a decade. In that time, there have been significant changes in consumer experience and expectation, and consumer needs will almost certainly change further during the next decade. The postal service is a vital part of the UK's communications infrastructure. The process of reform is not straightforward, involving complex changes to interdependent systems, affecting many different stakeholders, each with specific requirements and interests.

It is therefore important that any review of the design of the USO is strategic and future-focused, to ensure that any reform is robust, sustainable and has a broad base of stakeholder support which will endure over a number of years. The Call for Input document sets out three possible options to scale back the current USO. We are concerned that a focus on these specific options at this stage risks the sector missing an opportunity for a wider, strategic review on how to ensure that the postal service delivers for consumers now and in the future.

Related to this, our assessment is that the Call for Input process should give more detailed consideration to the role of postal services as one part of the wider communications and logistics infrastructure in the UK, delivering a broad set of outcomes for consumers. Any change to the USO could have significant consequences for consumers. To assess the potential impact of these changes, a number of full and detailed assessments will be required, both in relation to how these may be deployed within the mail system specifically and in terms of how consumers navigate between postal services and other communications infrastructure. While aspects of these are mentioned or referenced in the Call for Input, our

recommendation is that further assessment and modelling would be beneficial across a range of issues.

**In reviewing the Call for Input in light of these points, we have identified additional evidence and analysis that we recommend should be produced and published to inform the design and development of any of the options to amend the current USO.**

We recognise that some of this evidence or analysis could be produced by Ofcom, while other aspects may sit with other stakeholders, including government. We recognise that Ofcom may already hold or produce some of the material we have proposed here. In those instances, the next steps will be to overlay that information with the models set out in the Call for Input document.

In producing and presenting this extended evidence base, we anticipate that new options for development and reform of the USO to benefit consumers, not currently modelled within the Call for Input, may be identified.

We recognise that the list below represents a substantial body of evidence and if some prioritisation of these proposals is required then we would be pleased to discuss this with Ofcom.

**The additional evidence and analysis that we recommend is produced includes:**

***Evidence and analysis on how any new arrangements will ensure affordability and reliability for consumers***

- A detailed assessment is needed of how the affordability of postal services will be achieved within any amended USO. We do not agree, as suggested in the Call for Input document, that it is sufficient to assume that Royal Mail will develop additional support for vulnerable consumers if the requirements of the current USO were to be reduced. We recommend that all models for future USO options should include specific proposals setting out how the affordability of postal services for consumers will be protected in that scenario. As we set out in our response to the 2024 Review of Second Class Safeguard Caps, our assessment is that the future approach to affordability should include ongoing, market-wide protection for all consumers, such as the safeguard cap, augmented by additional interventions to improve affordability for particular groups of consumers. We would welcome detailed models being provided for how this might be achieved within any future USO structure.
- For each possible option for an adjusted USO, detailed modelling should be produced showing how that option would improve quality of service standards in practice and how these standards will then be monitored and enforced. We suggest that it would be useful for this analysis to include an assessment of whether the existing tools available to Ofcom to ensure compliance with quality of service targets under the USO are

sufficient, or any additional resources or powers that may be required by the regulator in a future USO context.

***Evidence and analysis on how changes to the USO may impact bulk mail and the implications of this for consumers***

- A more detailed assessment should be presented on the UK bulk mail sector and the specific changes that bulk mailers may require to make to their processes to take account of any changes to the USO (for example in terms of the number of delivery days). This assessment should be segmented by the sector of mail senders (for example, from financial service providers, utilities companies, or public services) and volume, to enable an assessment of the implications for domestic consumers if there were to be changes in the frequency or speed of delivery for of different types of mail.
- This assessment of the bulk mail market should take into account the capacity of public sector providers to action any significant changes in their logistics systems, given the significant financial pressures facing most public bodies. In addition, it should be noted that from April 2024, public bodies in Scotland will need to comply with a new Consumer Duty, which requires organisations to give regard to consumers when taking strategic decisions. The potential implications of this duty for how public bodies communicate with consumers in Scotland should be considered when models for a future USO are being further analysed.
- More broadly, analysis of the future requirements of the USO should include an assessment of the current trend in digitisation of public services in the UK, to enable a future-focused assessment of potential mail trends from these sectors in the coming years.
- Detailed evidence is needed on the requirements from the mail system of other regulated sectors, including financial services and utilities providers. This is necessary to understand the implications of any changes to the USO in the delivery of bulk mail items that may be sent as part of companies' regulatory requirements and which are important for consumers.

***Evidence and analysis on innovative approaches and new services that may support good consumer outcomes in the delivery of a future USO***

- Building on the useful evidence presented in the Call for Input on developments in other jurisdictions, it would be valuable for a fuller assessment to be undertaken of a range of possible innovative approaches that may support the achievement of good consumer outcomes in the UK postal market and the potential for these to support the delivery of these within a future USO. This assessment should include a detailed analysis of the relevance and applicability of each potential innovation to the UK, including the underlying conditions that may be required for such approaches to be effective.

- A comprehensive analysis should be undertaken of a range of services and protections that are not currently included in the USO, but which may be required by consumers in the future. This could include, for example, the introduction of some form of quality of service standards for Scottish island postcodes, the provision of services such as mail tracking, or new interventions to improve access to mail for consumers of no fixed abode. Modelling and consumer engagement should be undertaken on the financial implications of such changes, and the potential trade-offs that may be involved in the provision of these services.

***Evidence and analysis on the environmental and social impact of the USO for consumers***

- A more detailed analysis is required of consumer understanding, views and preferences on the environmental sustainability of mail delivery and any trade-offs that consumers may face in the journey to a net zero USO. It would be beneficial for this analysis to be disaggregated by geographic and demographic consumer group, so that the perspectives or concerns of different consumers are well understood and accounted for.
- Further quantification, potentially using a Social Return On Investment (SROI) model, is required of the social benefits that the postal service delivers to consumers, including the personal, community and societal value of these benefits. Each potential option to amend the USO should be assessed against this analysis, to enable a fuller understanding of the potential risks to consumers of such changes, with options provided for how these risks might be mitigated.

***Evidence and analysis on the interrelationship between postal services and other parts of the UK's communications infrastructure and the implications of changes to the USO for consumers in this context***

- A detailed assessment should be produced of consumer digital capability, ability and willingness to shift to digital delivery channels, segmented by different population groups. All possible options to reform the USO should be assessed against this analysis, with the specific implications for different consumer groups set out and options to mitigate risks to consumers included within any proposals for change.
- An analysis of the UK's broadband roll out plans should be provided, including assessment of which geographic areas are likely to experience the least developed broadband market over the next decade in terms of availability and choice of providers. This analysis should be considered against all possible modifications to the USO, to provide an assessment of the potential implications of any specific USO change for consumers in rural areas in terms of access to communications channels, with clear plans for how any specific risks to these consumers will be mitigated.
- An assessment should be provided of how each possible option to amend the USO may impact on the post office network, given the significant interrelationship between mail and post office services for consumers. Consideration should also be given to the future

development of the post office network and any possible implications of this for the delivery of the USO in the future.

### ***Evidence and analysis from other countries***

- The assessment of changes made to universal postal services in other countries should be developed further to include for each comparison country:
  - analysis of the digital infrastructure and digital literacy levels, to understand the applicability of learning for the UK;
  - analysis of how consumers have been engaged in the change process;
  - analysis of available evidence on how consumer outcomes and wellbeing have been impacted by the changes to the universal postal service.

### **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?**

See response to Question 8.

### **Question 10: Do you have any other views about how the USO should evolve to meet users' needs?**

The postal service is a core part of the UK's national infrastructure, providing an essential service to consumers.

The current USO arrangements have been in place for more than a decade. Consumer Scotland agrees that it is appropriate that these arrangements are reviewed, given changing consumer needs now and in the future and the current difficulties being experienced by postal consumers in terms of the affordability and reliability of the mail service.

We welcome the work undertaken by Ofcom to initiate a discussion on the future of the USO. Similarly, we recognise that Ofcom undertakes a substantial ongoing programme of consumer research on the postal services market, which has informed the development of the Call for Input process.

It is clearly essential that any changes to a complex infrastructure service such as the USO are fully explored and tested. We have described above a range of additional evidence and analysis that we recommend is required at this stage. Alongside this is the need for the process for USO reform to be comprehensive and inclusive, taking place over an appropriate period of time to allow for a range of potential models and options to be identified, examined and approved by a wide range of stakeholders, including consumers.

The value of a strategic, in-depth process for identifying the best future approach, is that if delivered effectively and successfully then a consensus on the most appropriate model can be achieved, with all stakeholders, including consumers, feeling commitment to and ownership of the final outcome.

For this type of multi-stakeholder strategic planning, there are a range of models from different sectors that have put consumers at the centre of decision-making and which may provide a useful template for the further development of options for the future of the universal postal service. These include, for example:

- The creation by the Water Industry Commission for Scotland of a dedicated Customer Forum to negotiate with Scottish Water during its Strategic Review. The Commission indicated that it would be 'minded to agree' with the company's business plan if it had been agreed by the Customer Forum, which resulted in a 25-year strategy being agreed with significant alignment to consumer priorities.
- The requirements that Ofgem and Ofwat both placed on companies to establish Customer Engagement Groups during their recent regulatory reviews of energy networks and water companies

The future design of the universal postal service may require consumers to make a complex set of trade-offs or choices, in terms of their preferences. This type of consumer involvement is often best developed through iterative, ongoing, deliberative work, where consumers can fully explore the potential implications, benefits and risks of a range of scoped out possible models, giving consideration to key interdependencies and exploring implications for different consumer groups.

Ofcom is well-placed to undertake this type of deep dive, iterative, deliberative work, building on its existing programme of consumer research. Consumer Scotland has experience of deliberative research of this nature in other sectors and would be pleased to share our experience with Ofcom, and indeed to work with it if that were helpful.

This consumer engagement should sit alongside a clearly structured and timetabled programme of stakeholder deliberation, review and decision making. We suggest that this could involve a range of working groups with representation from government, Ofcom, industry, consumer groups and other key stakeholders. There are different models for how such an approach could be constructed. For example, one approach that we have seen applied effectively in other sectors is for different working groups to take responsibility for developing specific aspects of potential service reform, reporting to a senior strategic group which then agrees an overarching set of recommendations to be taken forward.

It is important that in any model of this nature, that the consumers engaged in deliberative work and the stakeholders engaged in a shared, collaborative process have a clearly defined, agreed and understood role in delivering the core recommendations for service reform. The

final decisions will ultimately reside with government, parliament or the regulator, but these should be guided by clear consumer and stakeholder recommendations.

We recognise that constructing this type of process may present some challenges, including the timescales required to deliver such an approach effectively. Nevertheless, we anticipate that the advantages of such an approach would outweigh these issues and if delivered effectively would provide a robust, well-evidenced and resilient approach to delivering a future USO centred on consumer needs and supported by stakeholders from across the sector.

**We recommend that Ofcom considers the points above and sets out a comprehensive plan for further work to consider the future of the USO, with a range of options for how stakeholders and consumers can be placed at the heart of this process and given a central role in decision-making.**