

# Response to the report 'Developments in the postal sector and implications for regulation'

Citizens Advice's response to ERGP's  
consultation.



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# About Citizens Advice

As the statutory consumer advocate for postal consumers in England and Wales, Citizens Advice welcomes the opportunity to respond to the European Regulators Group for Postal Services' report '*Developments in the postal sector and implications for regulation*'.

Citizens Advice is the statutory postal consumer advocate in England and Wales. Our role is to ensure postal services and post offices meet the needs of consumers in a way that is fair and accessible for all, with particular regard for vulnerable consumers.

In 2018/19 we undertook desk research on the Universal Service Obligation (USO), and in 2019 we will build on this work by investigating whether the USO is continuing to meet consumer needs in Britain through research into attitudes to its current form and future scenarios.<sup>1</sup>

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<sup>1</sup> Citizens Advice, [Consultation: The Citizens Advice Draft Consumer Work Plan 2019/20](#), 14 December 2018.

# Summary

The postal market has changed considerably since the introduction of the Postal Services Directive, and we support the aims of the European Commission's review: a modern universal postal service must meet the needs of consumers today. In the past few decades, there has been a structural decline in letter volumes while the parcels sector - driven by the rise in e-commerce - is rapidly expanding.

The pace of change and innovation in the postal market, while delivering benefits to postal consumers, has also contributed to the consumer problems we see in the sector today. Our research shows that British consumers experience significant detriment in the parcels sector: 69% have had a problem with delivery in the last year, 170 million orders arrived later than expected, and complaints and redress systems for when things go wrong are complex and difficult to navigate.<sup>2</sup>

Despite structural decline in volumes, letters remain an essential channel of communication for many. It is particularly important for vulnerable postal users such as rural, low income or disabled consumers. There are many consumers who are unable or unwilling to communicate online and, therefore, we can't disregard such an important channel of communication.

We urge the ERGP to keep consumers' interests and rights at the heart of its review of the Postal Services Directive and in any future regulatory framework for a sustainable universal postal service. We welcome the review of postal user needs currently being undertaken by the European Commission. We would expect a full assessment of consumers' needs and any impact on their rights to be carried out before any changes to the USO are considered.

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<sup>2</sup> Citizens Advice, [Trends in the postal services market](#), 2018.

# Citizens Advice's response

## The UK postal sector has changed significantly

We agree with the ERGP that the postal market has changed since the Postal Services Directive was adopted more than 20 years ago in 1997. In the UK, letter volumes have been in decline for the past 15 years.<sup>3</sup> At the same time, the UK parcels market has grown dramatically over the past decade: driven by the rise in online shopping it has grown by over 50% since 2010.<sup>4</sup> Over 2 billion parcels are now delivered every year in the UK.<sup>5</sup>

## These trends have brought both benefits and challenges for UK postal consumers

The parcels market has become an important part of many consumers' lives - with households receiving on average 46 parcels a year.<sup>6</sup> The pace of change and innovation in the postal market, while delivering benefits to postal consumers, has also contributed to the consumer problems we see in the sector today.

Our [research](#)<sup>7</sup> shows that there is significant consumer detriment in the parcels sector. 7 in 10 consumers (69%) told us they have experienced a problem with parcel delivery in the last year.<sup>8</sup> Many consumers do not have the information they need to make empowered choices if things go wrong: only 6% of consumers think they know their delivery rights very well.<sup>9</sup> And nearly half of consumers who have a problem (46%) say they found it difficult to find contact information for the parcel delivery company.<sup>10</sup> This lack of information and transparency results in many consumers taking no action following a problem

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<sup>3</sup> Ofcom, [Annual monitoring updates on the postal market](#), 23 November 2017.

<sup>4</sup> Apex Insight, [UK Parcels Market Insight Report 2017](#), February 2017

<sup>5</sup> Ofcom, [Annual monitoring update on the postal market](#), 23 November 2017

<sup>6</sup> Based on 2.139 billion parcels, 59% of which are B2C (43%) or C2X (16%) and 27.2 million households. Apex Insight, [UK Parcels Market Insight Report 2017](#), February 2017 and ONS, [Families and households](#), 8 November 2017.

<sup>7</sup> Find our postal consumer work at: [www.citizensadvice.org.uk/about-us/policy/post-policy-research](http://www.citizensadvice.org.uk/about-us/policy/post-policy-research)

<sup>8</sup> Citizens Advice, [Delivery services in the online shopping market](#), 16 June 2017.

<sup>9</sup> Citizens Advice, [Delivery services in the online shopping market](#), 16 June 2017.

<sup>10</sup> Citizens Advice, [Consumer use and experience of parcel sending services](#), 14 December 2018.

with parcels. Our research shows that the majority (57%) of consumers don't take any action if they have a parcel delivery problem.<sup>11</sup>

Consumers need to be better able to understand and enforce their rights, there must be clearer ways of redress and improvements from postal operators and retailers to make engaging with services and resolving problems simpler and easier - particularly for disabled consumers. Citizens Advice will be carrying out further research in 2019 to understand more about the customer journey of those who experience parcel problems and identify solutions.

### **Post remains an essential channel of communication - particularly for vulnerable consumers**

Post remains an essential service. Despite the structural decline in letters volumes, consumers - particularly vulnerable groups - rely on post.<sup>12</sup> While we agree that broadband access should be improved and that e-inclusivity is important, this should not come at the expense of a robust universal postal service. There are many consumers who are unable or unwilling to communicate online. Despite increasing digitisation of communication, in the UK 6 in 10 people (62%) say they would feel cut off from society if they couldn't send or receive post.<sup>13</sup> Consumers also consistently state that post is their preferred method of receiving information from banks, medical professionals and local councils.<sup>14</sup>

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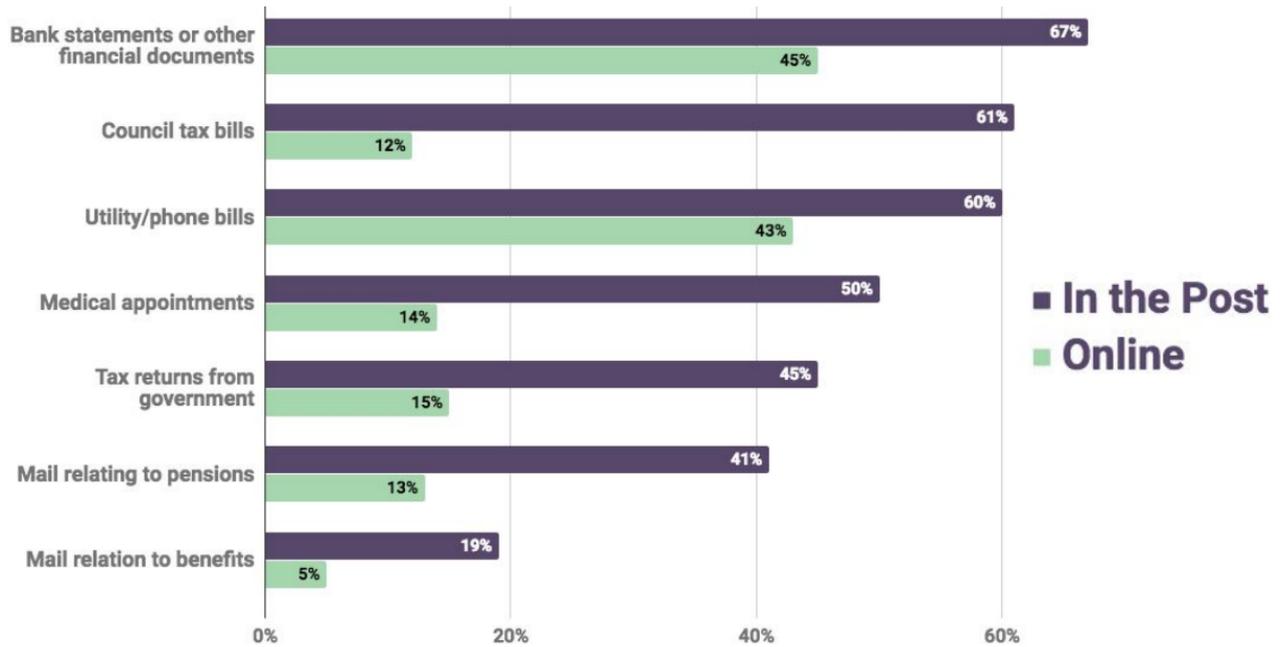
<sup>11</sup> Citizens Advice, [Delivery services in the online shopping market](#), 16 June 2017.

<sup>12</sup> Citizens Advice, [The future of consumer needs for postal services](#), 11 August 2016; Citizens Advice, [The customer journey: disabled people's access to postal services](#), 14 March 2018.

<sup>13</sup> Ofcom, [Communications Market Report 2017](#), 3 August 2017.

<sup>14</sup> Ofcom, [Residential Postal Tracker \(January 2017 - December 2017\)](#)

**Figure 1 - How British consumers receive information<sup>15</sup>**



While sending personal letters and cards is more important for older consumers, sending formal letters and paying bills is important for consumers of all ages. Consumers consistently state that post is their preferred method of receiving information from banks, medical professionals and local councils.<sup>16</sup>

Consumers from lower socio-economic grades, with lower household income, with a disability or who receive benefits generally attach more importance to formal communications that help them administer their day-to-day lives.<sup>17</sup> It is precisely these types of consumers who are the most likely to be excluded from the internet: either because they do not have access to the internet or because they lack the digital skills to carry out essential tasks online. For example, disabled consumers are more likely than non-disabled consumers to use post as a channel of communication (62% v 52%).<sup>18</sup> As post is a key channel of communication for many, ensuring affordability should continue to be a central aspect of any future regulatory framework.

<sup>15</sup> Citizens Advice, [Trends in the postal services market](#), 2018.

<sup>16</sup> Ofcom, [Residential Postal Tracker](#) (January 2017 - December 2017).

<sup>17</sup> Citizens Advice, [The future of consumer needs for postal services](#), 11 August 2016.

<sup>18</sup> Citizens Advice, [The customer journey: disabled people's access to postal services](#), 14 March 2018.

Post is also important for rural consumers. Citizens Advice has found that rural consumers are more likely than others to experience certain types of problems with parcel deliveries - particularly late deliveries and delivery cost surcharges.<sup>19</sup> Citizens Advice Scotland (CAS) research found that charges for parcel delivery are at least 30% higher on average for the “Highlands and Islands” in Scotland.<sup>20</sup>

### **Consumer needs must be central to any new postal regulatory framework**

We urge the ERGP to keep consumers’ interests and rights at the heart of its review of the Postal Services Directive and in any future regulatory framework for a sustainable universal postal service. We welcome the review of postal user needs currently being undertaken by the European Commission. We would expect any potential changes to the regulatory framework to include, and be informed by, a full assessment of:

- Consumers’ postal needs, particularly vulnerable consumers
- The impact of potential changes to the current scope of the directive on consumer access to essential postal services, including affordability
- How consumers can have access to effective redress systems for when things go wrong

We look forward to sharing the results of our USO consumer research with the ERGP and European Commission later in 2019.

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<sup>19</sup> Citizens Advice, [Are rural consumers getting a bad deal with parcel delivery?](#), 19 April 2018.

<sup>20</sup> Citizens Advice Scotland, [The Postcode Penalty: Delivering Solutions](#), December 2017.