



# The Universal Postal Service and Northern Ireland consumers

August 2020

## 1. Executive Summary

- 1.1. The Universal Service is a postal service available to everyone living in every part of the United Kingdom, delivered at the same cost and with the same standard. It comprises of at least one delivery of letters every Monday to Saturday, at least one collection of letters every Monday to Saturday, at least one collection of other postal packages every Monday to Friday, and a service of delivering postal packets and registered items from one address to another, by affordable and geographically-uniform prices throughout the United Kingdom. It is an essential service to many people, particularly those most vulnerable including people living in rural areas, those less able to travel, older people, and also to blind and partially-sighted people, who benefit from a free postal service.
- 1.2. Much discussion and consultation<sup>1</sup> has already begun in Europe around the inability of the current postal framework to meet market and consumer demand in the medium to long term. This is mainly due to unprecedented change in consumer behaviour in uptake of digital communication and growth in ecommerce and subsequent parcel industry.
- 1.3. This report sets out to assess the importance of the universal postal service to consumers in Northern Ireland in today's market and assess their tolerances for changes to the minimum requirements.

### Key findings

- 1.4. The average number of letters and parcels a Northern Ireland consumers sends per month is three items. On average 37% of 16 – 34 year olds believe they do not send any mail each month, compared to 10% of those aged over 65. The average number of items sent by a consumer with a disability is four compared to three from someone without a disability. A consumer living in a rural area sends four items per month compared to three in an urban area.
- 1.5. Northern Ireland places considerable value on track and trace services as a standard feature on postal services, in particular parcel services. Nine in 10 consumers believed track and trace should be included as standard for parcels. Whilst we appreciate Ofcom declined a request in 2017 from Royal Mail to include track and trace on their standard Universal Service Obligation products, given this new evidence and the continued growth in the parcel market, The Consumer Council feels it may be useful to revisit the decision.
- 1.6. We presented a series of scenarios to test consumer tolerance to change within the USO minimum requirements. The scenarios tested in the research suggest that many consumers would like to see an increase in the current USO minimum

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<sup>1</sup> <https://ec.europa.eu/docsroom/documents/34881>

requirements and in some instances would be willing to pay slightly more for an increase in service. However, it also outlined that Northern Ireland consumers prefer weekday deliveries and believes equality of service should be provided regardless of your location, e.g. rural or urban. In addition, new market developments such as electronic deliveries (drones) or unmanned parcel lockers are not as acceptable to the majority of consumers, particularly those most vulnerable.

- 1.7. Northern Ireland consumers are price sensitive when it comes to postal services, particularly in larger items that are more expensive. The results indicated that consumers are sensitive to price at this level and some choose to purchase Royal Mail's less expensive second class postage (24%) compared to 21% for first class postage

### **Recommendations**

- 1.8. Developments in the past decade show a need for flexibility in regulatory response. Together with the fact that circumstances in UK nations can often still differ significantly, this will need to be reflected in the level of harmonisation that is decided on in the new framework. Practical experiences in the past including parcel surcharges, show that it is indispensable that the future regulatory framework should provide for parity across all UK nations and all access for all consumers, particularly those most vulnerable.
- 1.9. The Consumer Council will share the report with Royal Mail and press upon them the importance of keeping prices of postal services affordable for consumers in Northern Ireland.
- 1.10. The Consumer Council will continue to provide evidence to the European Regulators Group for Postal Services (ERGP) as they set about consideration of a 'greenfield approach' to future postal regulation.
- 1.11. Ofcom should consider the findings of this report as it begins to undertake its work on future of postal regulation outlined in its 2020/21 work plan. Ofcom should provide a commitment to ensure:
  - future postal regulation will consider how to best tackle the existing detriment of parcel surcharging in Northern Ireland;
  - the safeguard cap on second class services, which is due to conclude in 2022, remains affordable for consumers, particularly those most vulnerable;
  - revisit its 2017 decision to consider track and trace feature on USO parcel products; and
  - to take into account the findings of this report and liaise with The Consumer Council as it considers any potential changes to the UKs USO requirements.

## **2. Introduction**

- 2.1. The purpose of this report is to identify and evaluate the importance consumers in Northern Ireland place on the minimum requirements of the universal postal service provided by Royal Mail.
- 2.2. Royal Mail is the designated provider of the universal postal service – the six-day a week, one price goes anywhere postal service that delivers to 30 million UK addresses across the UK. This is often referred to as the Universal Service Obligation (USO). The objective of a regulation for the universal postal service is to facilitate communication and trade, and promote social inclusion<sup>2</sup>.
- 2.3. Discussion and consultation<sup>3</sup> is taking place at a European level around the need for change on postal regulation around the USO. The ongoing technological, economic and social developments will continue to change the use of and need for postal services in the future. This means policymakers are evaluating if the current USO regulations are not becoming obsolete.
- 2.4. Digital and technological development and evolving consumer demand are changing the postal landscape across Northern Ireland. Yet, despite these changes, traditional postal services still remain an important source of communication for many consumers in Northern Ireland.
- 2.5. For the purposes of this summary report we have extracted the data we feel is of most significance. Further data and detail is provided in the attached report.

## **3. Background**

- 3.1. The aim of the universal postal services has been defined<sup>4</sup> by the European Regulators Group for Postal Services (ERGP) as, “the guarantee of a service encompassing a minimum range of services of specified quality to be provided in all Member States at an affordable price for the benefit of all users, irrespective of their geographical location.”
- 3.2. The minimum scope that the universal postal service must cover (such as six-day a week delivery for letters, and geographically uniform prices across the UK) is set by Parliament in statute, and can only be changed by Parliament. The Postal

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<sup>2</sup>[https://www.wik.org/fileadmin/Konferenzbeitraege/2018/17th\\_Koenigswinter\\_Seminar/S2\\_3\\_De\\_Schrevel.pdf](https://www.wik.org/fileadmin/Konferenzbeitraege/2018/17th_Koenigswinter_Seminar/S2_3_De_Schrevel.pdf)

<sup>3</sup> [https://ec.europa.eu/growth/sectors/postal-services/ergp\\_en](https://ec.europa.eu/growth/sectors/postal-services/ergp_en)

<sup>4</sup> [ergp-14-16-uso\_en]ERGP's 2014 Discussion paper on the implementation of Universal Service in the postal sector and the effects of recent changes in some countries on the scope of the USO.

Services Act 2011<sup>5</sup> sets out the provisions for the postal USO in the UK. The requirements set out in the 2011 Act originates from European legislation namely, the Third Postal European Directive<sup>6</sup>. Ofcom has designated Royal Mail as the provider of the universal service. The table below provides a summary of the UK’s minimum requirements expected from the universal service provider, Royal Mail.

3.3. Outline of Current Scope of the UK’s USO Minimum Service Requirements<sup>7</sup>

1. Delivery of letters or parcels (including those posted outside the UK) <ul style="list-style-type: none"> <li>○ At least one delivery of letters every Monday to Saturday to every address in the UK.</li> <li>○ At least one delivery of other parcels every Monday to Friday to every address in the UK</li> </ul>
2. Collection of letters or parcels (including those for onward transmission outside the UK) <ul style="list-style-type: none"> <li>○ At least one collection of letters every Monday to Saturday from every access point in the UK.</li> <li>○ At least one collection of other parcels every Monday to Friday from every access point in the UK.</li> </ul>
3. Service at affordable prices at a uniform public tariff
4. A registered items service at a uniform UK-wide, affordable public tariff.
5. An insured items service at a uniform UK-wide affordable public tariff
6. A free-of-charge postal service to blind or partially sighted people.
7. Free carriage of legislative petitions and addresses.
8. Redirection, Post restante and Retention services

3.4. The ERGP believes<sup>8</sup> that the current postal regulatory framework does not and cannot be expected to address current market issues that did not exist when the Postal Services Directive was enacted in 1997, such as digitisation and e-commerce, as well as the consequential and fundamental changes in communication and consumer behaviour and demands. For the medium and long-term future, EPRG assess that the Postal Services Directive will not be in alignment with developments in the market. EPRG suggest<sup>9</sup> that a ‘greenfield approach’ in establishing a new regulatory framework or directive may not therefore be excluded, as change or even structural change of the current postal directive may not be sufficient. With this proposed approach and the UKs withdrawal from the EU, future changes to the postal USO is possible, particularly as the regulations in the UK are derived from the European Postal Directive but also to provide parity with all international universal service providers.

<sup>5</sup> The Postal Services Act Sections 29-34

<sup>6</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31997L0067&from=en>

<sup>7</sup> As defined by The Postal Services Act 2011 Section 31

<sup>8</sup> <https://ec.europa.eu/docsroom/documents/34881>

<sup>9</sup> Ibid

- 3.5. Northern Ireland holds a unique position in the UK. The geographic and demographic differences of Northern Ireland consumers compared to their GB counterparts, outlines the importance of parity and protection for consumers in this part of the UK for postal services.
- 3.6. Its geographic location means that whilst being part of the UK, Northern Ireland does not share a land border with the other UK nations. Yet it is the only part of the UK to share a land border with a European country, namely the Republic of Ireland. This outlying location has shown to create logistical challenges for postal services and reinforces the importance of having USO protection such as uniform pricing. Outside of the safeguards provided by the universal postal service in the unregulated parcel market, Northern Ireland consumers are susceptible to detriment in terms of higher prices and lack of choice. The most acute and prevalent challenge has been the increased costs of parcel deliveries from online orders in peripheral areas of the UK, including Northern Ireland.
- 3.7. Research<sup>10</sup> commissioned by The Consumer Council in 2015 showed that a third (33%) of UK online retailers (GB based) apply delivery exclusions to Northern Ireland consumers. Exclusions can include higher costs, longer delivery times, and no delivery available. Smaller online retailers (GB based) are more likely to apply delivery exclusions with almost half (57%) all small online retailers surveyed claim to reduce delivery options for NI consumers. This problem still exists. In 2018, Northern Ireland consumers paid an additional surcharge or delivery price of £6.72 per item<sup>11</sup> and increase from £2.71 in 2015<sup>12</sup>.
- 3.8. Rapid letter volume declines and growth in parcel delivery are the defining trends in the postal market in the last decade<sup>13</sup>. Royal Mail's five year strategy launched in 2019 has a strong focus on parcels. Despite this industry's emphasis on parcels and the unregulated market, our research shows that the USO plays an important role in providing access to postal services consumers in Northern Ireland, particularly those most vulnerable.

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<sup>10</sup> [http://www.consumercouncil.org.uk/sites/default/files/2018-07/Online Parcel Premium Report.pdf](http://www.consumercouncil.org.uk/sites/default/files/2018-07/Online%20Parcel%20Premium%20Report.pdf)

<sup>11</sup> <https://www.consumercouncil.org.uk/policy-research/publications/package-deal-retailers-and-delivery-surcharges>

<sup>12</sup> [http://www.consumercouncil.org.uk/sites/default/files/2018-07/Online Parcel Premium Report.pdf](http://www.consumercouncil.org.uk/sites/default/files/2018-07/Online%20Parcel%20Premium%20Report.pdf)

<sup>13</sup> [https://www.ofcom.org.uk/data/assets/pdf\\_file/0028/186139/annual-monitoring-update-postal-market-18-19.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0028/186139/annual-monitoring-update-postal-market-18-19.pdf)

#### 4. Methodology

- 4.1. The Consumer Council commissioned YouGov to undertake quantitative research through an online survey of 1014 adults aged 16+ living in Northern Ireland about their usage and importance of postal services to their needs.
- 4.2. The sample below is representative of Northern Ireland by age, gender, social grade and local councils. Attention was paid to ensure responses from vulnerable consumer groups such as lower earning households, those aged 65 and over, living rurally or with a disability/long-term limiting illness.

		Unweighted	Weighted
<b>Gender</b>	Men	492	497
	Women	522	517
<b>Age</b>	16-34	195	304
	35-50	324	298
	51-64	284	246
	65+	211	167
<b>Urban/Rural</b>	Urban	466	389
	Sub urban	167	182
	Rural	381	443
<b>Disability</b>	Limited a lot	132	143
	Limited a little	204	202
	No	674	663
<b>Gross Household income</b>	Under £20,000	203	234
	£20,000 to £39,999	329	306
	£40,000 to £59,999	139	124
	£60,000 +	105	80

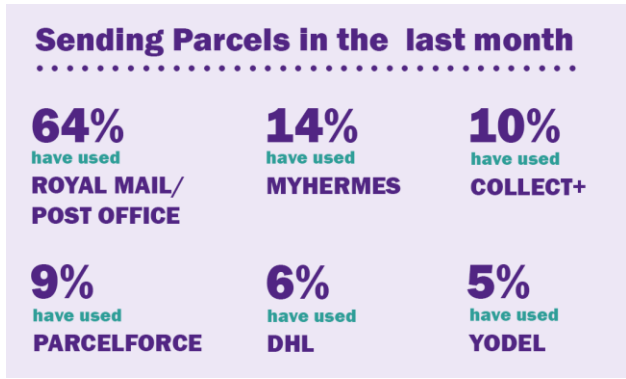
#### 5. Key Findings

- 5.1. The study focussed on residential consumer use of the universal postal service and elements of the USO they find are most important.
- 5.2. The research indicates strongly that in Northern Ireland, the universal postal service provided by Royal Mail is of significant importance for vulnerable consumers, particularly those aged 65+, with a disability or living in a rural location. The average number of letters and parcels a Northern Ireland consumers sends per month is three items. On average 37% of 16 – 34 year olds believe they do not send any mail each month, compared to 10% of those aged over 65. The average number of items sent by a consumer with a disability is four compared to three from someone without a disability. A consumer living in a rural area sends four items per month compared to three in an urban area.



**Usage – Sending Mail**

- 5.3. Distinct from the parcel market, Royal Mail is the main provider of letters services for residential consumers in Northern Ireland. The majority of consumers use Royal Mail as their preferred provider. The results show that those that don't use Royal Mail do not use postal services at all, 86% use Royal Mail and 14% do not use any postal service. Over half (52%) of consumers aged 65+ use Royal Mail very or quite often for sending letters compared to around a quarter (27%) of 16 – 34 year olds.
- 5.4. A different picture exists for parcel services, where there is less regulation and more competition. Despite the presence of competition, the universal service parcel products provided by Royal Mail are most often used, with almost two thirds (64%) of residential consumers in Northern Ireland sending parcels in the last month. This is closely followed by myHermes, Collect+, Parcelforce, DHL and Yodel.



- 5.5. USO parcel services are more important to consumers with disabilities than those without. Over a third (37%) of disabled consumers who use Royal Mails USO parcel services do so very or quite often, compared to 24% of those without a disability.

**Usage – Receiving Mail**

- 5.6. Consumers in Northern Ireland are net receivers, namely they receive more mail than they send. Monthly mail volumes average around 13 letters and four parcels for each consumer. However, those aged 65+ think they receive an average of 21

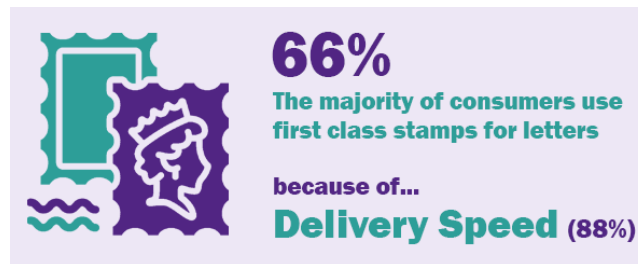


letters a month compared to just seven for 16 – 34 year olds. Further, on average consumers with a disability estimate they receive 16 letters and four parcels per month compared to 12 letters three parcels for those without a disability.



### USO services used

- 5.7. The most commonly used USO service by Northern Ireland consumers for letters, in the last twelve months is first class post (66%). This is followed by second class (51%), Signed for (20%) and Special Delivery (12%). Speed (88%) was quoted as the main reason for using first class mail. Around a quarter (23%) choose First Class postage because they do not perceive a significant difference in cost.



- 5.8. However, this differs when posting larger items such as parcels. The results indicated that consumers are sensitive to price at this level and some choose to purchase Royal Mail's less expensive second class postage (24%) compared to 21% for first class postage.

### Track and Trace preference

- 5.9. With the increase in parcel competition due to e-commerce, tracked parcel services are becoming a standard expectation from consumers. A tracked parcel service enables a sender or recipient to monitor the progress of a parcel through the postal network. However, in 2017 Ofcom rejected<sup>14</sup> a request by Royal Mail to add tracked services to its' USO products because it could have a negative impact on single piece parcel competition that has only begun to emerge in recent

<sup>14</sup> [https://www.ofcom.org.uk/data/assets/pdf\\_file/0033/97863/Review-of-the-Regulation-of-Royal-Mail.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0033/97863/Review-of-the-Regulation-of-Royal-Mail.pdf)

years and its own research suggested that tracking is not a high priority for consumers.

- 5.10. Our research has uncovered that many consumers believe it is important to have track and trace included as a feature of letters and parcel services. However, 87% of consumers believe it is more important to have this feature on parcel services than 68% in letters. Over 60% of consumers would consider paying for track and trace for both parcels and letters. When asked for how much each consumer would pay, the median additional value for letters was 5p and 20p for parcels<sup>15</sup>. Younger consumers, those in more affluent and living in rural areas were willing to pay more.



#### **Importance of the minimum USO requirements for today's consumers**

- 5.11. The research attached to this document shows in detail that the study posed a series of questions and scenarios to consumers to assess their acceptance of alternative scenarios or variation of USO features and their willingness to pay for enhanced services. Whilst this was not a full economic study, the results give The Consumer Council, as policy influencers, a greater level of insight into what changes are generally tolerable for consumers within the current USO parameters.
- 5.12. Richard Hooper CBE stated<sup>16</sup> of the USO, that its “ability to deliver letters, packets, parcels and other items to all 28 million business and residential addresses in the UK six days a week, at uniform one-price-goes-anywhere tariffs, is part of the country’s social and economic glue.” Therefore we asked consumers to consider the importance of the USO in terms of social benefit and value to others. We found that whilst most categories were of importance, uniform pricing was

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<sup>15</sup> Those values were in the context of the current first class 70p first class letter and £3.50 small parcel cost.

<sup>16</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/31808/10-1143-saving-royal-mail-universal-postal-service.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/31808/10-1143-saving-royal-mail-universal-postal-service.pdf)

considered to be the most important with 66% rating this category as very important.

Minimum USO requirement <sup>17</sup>	Very Important	Quite Important	Net Unimportance	Not sure
Uniform Pricing	66%	24%	5%	5%
<b>Delivery:</b> One daily letter delivery Monday – Saturday	56%	31%	7%	5%
<b>Delivery:</b> One daily parcel delivery – Monday – Friday	52%	33%	9%	6%
<b>Collection:</b> One daily collection of letters Monday – Saturday	51%	33%	8%	7%
<b>Collection:</b> One daily collection of parcels Monday – Friday	47%	37%	8%	7%
An insured items service	48%	38%	8%	6%
A registered items service	46%	39%	8%	8%
Guaranteed next day delivery service	45%	37%	13%	5%
Redirection, Post restante and retention services	39%	36%	13%	11%
Free service for blind or partially sighted	37%	32%	20%	11%
Free carriage of legislative petitions and addresses.	23%	17%	51%	10%

- 5.13. Whilst still considered very or quite important by the majority of consumers, services that were generally less frequently used by the majority of consumers such as redirection and services for the blind and carriage of legislative petitions were considered less important than other USO requirements. However, the least important service with over half (51%) of consumers in Northern Ireland rating it as unimportant was the free carriage of legislative petition and addresses.

### Delivery of Mail

- 5.14. As consumers are net receivers of mail, we undertook a more in-depth study of this section of ‘delivery of mail’, than other sections. We gathered evidence of acceptability of delivery option scenarios against a willingness to pay criteria.
- 5.15. Countries across the world can enjoy some flexibility in how they implement the USO in their jurisdiction, as long as it is approved by its national regulator and ultimately within the boundaries of the presiding country’s legislation. For example, in 2015 the New Zealand reduced its minimum USO requirements and moved from a six day week delivery service to a three day week service in urban areas, in an attempt to save costs<sup>18</sup>. Given this approach, our research tested a range of delivery scenarios to assess the tolerances for change, these included:

<sup>17</sup> Due to rounding number may not add up to 100.

<sup>18</sup> <https://postandparcel.info/64020/news/new-zealand-to-switch-to-alternate-day-mail-delivery-from-july/>

Scenarios for the delivery of USO letters							
	Delivery seven days per week	Replacement of first and second class with a single priced service that delivered in two - three days	Delivery four days a week (Mon, Wed, Fri, Sat/Sun)	Delivery three week days (Mon, Wed, Fri)	Delivery to a secure electronic mail box	Delivery of letters to a central and secure point	Delivery one day a week
Willingness to pay based on 2019/20 cost first class stamp at 70p	78p	70p	58p	53p	51p	51p	42p

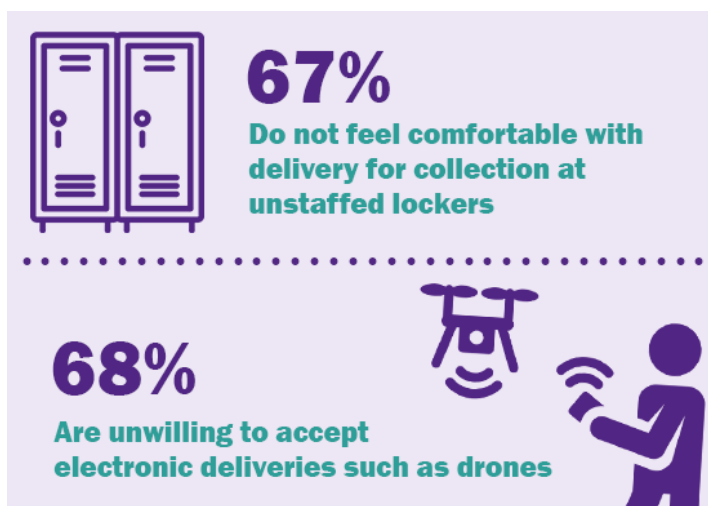
- 5.16. For letters none of the reduced service scenarios commanded a majority support from Northern Ireland consumers. The least acceptable scenario was one letter delivery a week, with 80% of consumer unwilling to accept this service. Indeed, only 2% of consumers aged 65+ were willing to accept one day a week delivery compared to 10% of 16-34 year olds. Also, of those consumers who were willing to accept this scenario they would expect to pay a much reduced price of 42p compared to the 2019/20 costs of first class stamps at 70p.
- 5.17. The most popular scenario, was an increase in letter delivery to seven days per week, which over two thirds (69%) of consumers would be willing to accept. Reducing delivery days to four or three saw 56% and 64% of consumers, respectively, unwilling to accept this proposal.
- 5.18. There is a split position on combining first and second class mail to a single priced service, similar to the service that exists with the RoI's universal postal provider, An Post. Whilst this proposal is supported by 34% it is opposed by 39%. This is fairly evenly represented across all demographics with a slight increase in younger consumers willing to accept this idea. Interestingly consumers would pay the same price for this combined service as the 2019/20 cost of first class post.
- 5.19. Only 15% were willing to accept travelling to collect their letters at a central or secure point, 62% of those believe it should be no more than one mile away. Any of those who would accept this, would pay a much reduced cost of 51p.



5.20. The scenarios tested for potential changes to the USO for parcels include:

Scenarios for the delivery of USO parcels							
	Delivery seven days per week	Delivery six days a week (Mon, - Fri, Sat/Sun)	Delivery six days a week (three days Mon -Fri, Sat & Sun)	Delivery four week days (Mon - Fri)	Electronic deliveries (e.g. drone)	Delivery to a staffed collection point (e.g. delivery office, post office etc.)	Delivery to an unstaffed digital collect point (e.g. locker banks)
Willingness to pay based on 2019/20 cost first class stamp for small parcels £3.50	£3.73	£3.58	£3.26	£3.13	£3.52	£3.07	£2.97

5.21. Similar to the scenarios tested for letters, delivery seven days per week is the most acceptable with almost three quarters (72%) willing to accept this proposal. Also, consumers would consider an increase of 23p on the 2019/20 price for the addition of the seven day a week delivery. However, delivery for collection at unstaffed lockers was the least popular idea, with two thirds (67%) of consumers unwilling to accept this idea and electronic deliveries, such as drones drew a strong unwillingness to accept with 68%. Electronic deliveries were rejected similarly across all demographics, consumers in rural areas (71%) and those aged 65+ (89%) were the most unlikely to be support unmanned collection points.



5.22. Interestingly, our survey found that delivery of parcels five days a week plus a weekend was popular with over two-thirds (68%) support, but take away a weekday in the next scenario and support collapses to (40%). Suggesting that many consumers prefer weekday delivery instead of weekend.

### Collection of Mail

5.23. Royal Mail has an obligation to undertake at least one collection of letters Monday to Saturday from appointed access points such as post boxes and post offices across the UK. The survey presented a number of scenarios and asked respondents to rate their willingness to accept. The scenarios included:

Scenarios for the collection of USO letters					
Collection seven days per week from each existing access point	Collection seven days per week from each existing access point and collection from NI location/address of your choice	Collection seven days per week from NI address/location of your choice	Collection five days per week from all existing access points	Collection seven days per week from busy (town or city centre) access points and three days a week from less busy/rural locations	Collection five days a week from busy (town or city centre) access points and three days a week from less busy/rural locations.

5.24. The most acceptable scenario for almost two thirds (64%) of Northern Ireland consumers is the increase in current service requirement to a collection seven days per week for letters from existing access points. The least acceptable options included those where differentiation occurs between town and rural frequency. Collection five days a week from urban locations and three days a week from rural locations was the least supported with almost half (46%) of consumers unwilling to accept this scenario.

- 5.25. The five day a week collection from all existing access points scenario is an acceptable solution by over four in ten (43%) consumers. However, it whilst younger consumers are comfortable with the five day a week collection of letters, it causes concern for over a third (35%) of consumers with a disability.
- 5.26. The current obligation on Royal Mail for the collection of parcels is every Monday to Friday from appointed access points, such as post offices or designated Delivery Offices across the UK. The scenarios tested for the collection of parcels, was the same as letters:

Scenarios for the collection of USO parcels					
Collection seven days per week from each existing access point	Collection seven days per week from a NI location/address of your choice.	Collection seven days per week from each existing access point and a NI address/location of your choice	Collection five days per week from all existing access points	Collection seven days per week from busy (town or city centre) access points and three days a week from less busy/rural locations	Collection five days a week from busy (town or city centre) access points and three days a week from less busy/rural locations.

- 5.27. Similar to the results for letters, around two thirds (64%) of consumers in Northern Ireland preferred the enhanced service of a seven day collection for parcels from existing access points.
- 5.28. Contrary to these the least acceptable option was again when differences existence between rural and urban collections. Only a third (30%) of consumers were willing to support the five days a week urban and three days a week from less busy rural locations and over four in ten (42%) did not support this scenario. 38% of younger consumers are willing to accept the five weekday urban and three rural option, but just 25% of those aged 51-64 and 28% of 65+ year olds. Almost half (48%) of consumer with disabilities are unwilling to accept this scenario.



## 6. Conclusion

- 6.1. If a postal USO is a solution to ensure that social needs that would not be covered by market forces are provided for those who need it<sup>19</sup>, then our research suggests that there is strong evidence to maintain the current postal USO. Key demographics, which capture Northern Ireland consumers that are most vulnerable including those living in rural areas, aged 65+ and with a disability, all

<sup>19</sup> X

rely more on the universal postal service, and are more frequent senders and receivers of mail.

- 6.2. Whilst we accept that the postal market has changed significantly since the USO minimum requirements were established, particularly with consumer behaviour and growth in parcel market, we remain cautious that any change to the USO must have consumer safeguards against detrimental market forces, particularly for those most vulnerable, at the heart of any changes proposed.
- 6.3. Parcel surcharging to Northern Ireland has been a key issue in from the unregulated parcel sector. This has caused consumers in Northern Ireland to pay more for delivery of their online orders or in some cases has caused retailers to refuse to sell to this part of the United Kingdom. This example underscores the importance of regulation in ensuring parity and consumer protection in this important market. Our research shows that uniformity is key, both in terms of pricing and service. Uniform pricing was considered to be the most important requirement from the USO in terms of social value and benefit by the majority of Northern Ireland consumers. Further, when different scenarios were presented that proposed service distinctions between urban and rural locations, these appeared to be the least popular with all consumers.
- 6.4. The results have also suggested that consumers are price sensitive when it comes to postal services, particularly in larger items that are more expensive. We note that again Royal Mail has increased its prices this in March 2020<sup>20</sup>, with the biggest of these increases in the parcel services. The Consumer Council would caution Royal Mail against price rises as consumers particularly those most vulnerable, and most frequently use these services can least afford this hike. Further, many consumers may swap to other providers or more economical services, reducing Royal Mail's income and impacting on the sustainability of the USO into the future.
- 6.5. Our research shows that consumers have a keen interest in track and trace services as a standard feature on postal services, in particular parcel services. Parcel services, are not only more expensive to purchase, due to the larger size and weight, but they may also contain more valuable and irreplaceable contents than letter post. Further, other competitors, particularly in the e-commerce market regularly provide this service, and consumers have come to expect this as a standard feature of parcel services. Whilst we appreciate Ofcom has declined a request in 2017 from Royal Mail to include track and trace on their standard Universal Service Obligation products, we feel given this new evidence and the continued growth in the parcel market, The Consumer Council believes it may be useful to revisit the decision.

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<sup>20</sup> <https://www.bbc.co.uk/news/business-51586871> An increase for first class letter 70p to 76p and parcel £3.50 to £3.70 and for second class letters 61p to 65p and parcels £3.00 to £3.10



- 6.6. The scenarios tested in the research suggest that many consumers would like to see an increase in the current USO minimum requirements and in some instances would be willing to pay slightly more for an increase in service. However, it also outlined that Northern Ireland consumers prefer weekday deliveries and believes equality of service should be provided regardless of your location, e.g. rural or urban. In addition, new market developments such as electronic deliveries (drones) or unmanned parcel lockers are not as acceptable to the majority of consumers, particularly those most vulnerable.
- 6.7. With the current focus and discussion around the need for flexibility in regulation around the postal USO in Europe, the findings presented in the research should help shape any future policy thinking around potential changes.

## **7. Recommendations**

- 7.1. Developments in the past decade show a need for flexibility in regulatory response. Together with the fact that circumstances in UK nations can often still differ significantly, this will need to be reflected in the level of harmonisation that is decided on in the new framework. Practical experiences in the past including parcel surcharges, show that it is indispensable that the future regulatory framework should provide for parity across all UK nations and all access for all consumers, particularly those most vulnerable.
- 7.2. The Consumer Council will share the report with Royal Mail and press upon them the importance of keeping prices of postal services affordable for consumers in Northern Ireland.
- 7.3. The Consumer Council will continue to provide evidence to the ERGP as they set about consideration of a 'greenfield approach' to future postal regulation.
- 7.4. Ofcom should consider the findings of this report as it begins to undertake its work on future of postal regulation outlined in its 2020/21 work plan. Ofcom should provide a commitment to ensure:
- future postal regulation will consider how to best tackle the existing detriment of parcel surcharging in Northern Ireland;
  - the safeguard cap on second class services, which is due to conclude in 2022, remains affordable for consumers, particularly those most vulnerable;
  - revisit its 2017 decision to consider track and trace feature on USO parcel products;
  - to take into account the findings of this report and liaise with The Consumer Council as it considers any potential changes to the UKs USO requirements.

**Annex : YouGov Report, Postal Services and Northern Ireland consumers 2019**



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