

## **Cross-Party Group in the Scottish Parliament on Postal Issues**

### **Minutes of the meeting on 13 November 2012 at 18.00**

#### **Present:**

#### **MSPs**

Hugh Henry MSP (Co-convenor and Chair)  
Kenneth Gibson MSP (Co-convenor)

#### **External Organisations**

Annie McGovern – Consumer Focus Scotland (CFS)  
Trisha McAuley – Consumer Focus Scotland  
Steven McCann – Consumer Focus Scotland  
John Brown – Communication Workers Union (CWU)  
Willie Lawson – Communication Workers Union (CWU)  
Sarah Beattie-Smith - Citizens Advice Scotland (CAS)  
Julie Pirone – Royal Mail (RM)  
Hannah Frodsham – Office of Fair Trading (OFT)  
Neil Coltart – Society of Chief Officers of Trading Standards in Scotland (SCOTSS)  
Mike Lordan – Direct Marketing Association (DMA)  
Vicki Nash – Ofcom  
Colin Borland – Federation of Small Businesses Scotland (FSB)  
Susan Grasekamp – Scottish Disability Equality Forum (SDEF)  
Kim Karam – Office of Tavish Scott MSP

#### **Apologies**

Patricia Ferguson MSP  
Aileen Campbell MSP  
Jamie McGrigor MSP  
Roderick Campbell MSP

#### **1. Welcome**

Hugh Henry MSP welcomed everyone to the meeting.

#### **2. Presentation**

Annie McGovern, Consumer Focus Scotland (CFS) presented an overview of postal issues in Scotland including an overview of services, operators and the importance of mail services to consumers, in addition to the changing needs of consumers. The presentation went on to cover recent developments on postal issues and what these meant for consumers and services. There was also information about ongoing challenges including sustaining the existing Universal Service Obligation (USO) and maintaining a sustainable post office network in Scotland.

#### **3. Discussion**

Hugh Henry MSP thanked Annie for giving the presentation and noted the significance of the topics raised.

A discussion followed about the smaller licensed operators who compete with Royal Mail for business.

Julie Pirone from Royal Mail (RM) said that there are many small regional operators competing for business who need to meet certain licence conditions to do this. Most of them still rely on RM to deliver to consumers, as they do not offer an 'end to end' service. Some bigger operators such as TNT are developing end to end services in cities across the UK. This could have a significant impact on RM as other operators do not have to make daily mail deliveries (as they do not have the USO); rather they can pick and chose delivery days to suit them.

Mr Henry asked if this has an impact on the USO. Vicki Nash (Ofcom) said that RM has to meet that obligation and it is Ofcom's primary concern that RM is able to do so.. Mr Henry pointed out that this it is extremely advantageous for RM's competitors to enter the market if only RM is obliged to meet the USO.

Trisha McAuley from Consumer Focus Scotland pointed out the potential implication for vulnerable consumers if they don't get essential items delivered on time because some operators do not make daily mail deliveries.

John Brown from the Communications Workers Union said that TNT's service is not available to everyone and that there is no level playing field because they do not have to adhere to any of the USO .With bulk deliveries, companies often sort their own mail and then give it to RM to deliver to consumers. There is a real need for a review of the licence conditions for RM's competitors. The USO is a vital service for consumers and small businesses. There is a current consultation on the USO and it is essential that as many organisations as possible respond.

Vicki Nash from Ofcom said that Ofcom's Postal Users Needs consultation will assess whether the market is meeting consumers' needs. The consultation closes on 18 December 2012. The UK Government has said that there will be no alteration to the USO in this Parliament. Ofcom's research so far looks quite positive for consumers. However, Vicki reminded the Group that it is for Government and not Ofcom to decide on any changes to the USO.

Mr Henry said that Ofcom's research may shape Government policy in future and that it was important to ensure that as many organisations and groups as possible input into the consultation. Vicki added that Ofcom already contacts various stakeholder organisations to ensure that they have the opportunity to get involved.

Colin Borland, Federation of Small Business Scotland, said that almost all FSB members in Scotland use RM and the FSB is a staunch defender of RM. Small businesses still use cheques and paper invoices and send these by post. The TNT experiment could have a very detrimental impact on small businesses.

Julie added that TNT intends to employ 20,000 staff in deliveries and that this could mean a loss of 20,000 RM staff as there will be no associated increase in items to be delivered. Workers terms and conditions may also be different under an alternative carrier and may not be as favourable as RM's.

Mr Henry pointed out that these jobs would be mainly street delivery and processing jobs and would represent around 16% of RMs workforce.

Julie said that bulk mail services allow RM to provide the USO as their social letters' business is loss making. Rising stamp prices help to meet costs but do not cover it. Losing further large business and bulk mail could threaten RMs ability to meet the USO.

Mr Henry noted that loss of RM's profitable centres would have huge implications for Scotland. He asked how Ofcom would handle these challenges.

Vicki said that Ofcom is examining the impact of this but that it was important to recognise also that competition has driven improvements in RM, as Julie Pirone acknowledged too. Ofcom has duty to secure the USO and the powers to intervene if necessary to protect it. The USO will not change during this parliament, but that is not to say that it couldn't change later. Mr Henry said that either way the implications for Scotland would be significant.

Annie McGovern of Consumer Focus Scotland advised that there is currently a consultation on end to end competition which closes 9 January 2013.

Kenny Gibson MSP noted that the more companies cherry pick business from RM, the more RM needs to spend sustaining the remaining business that is unprofitable. He also expressed concern about the impact of continuing decreases in letter numbers on the future viability of RM. Mr Henry said that in a post privatisation scenario shareholders will not want to subsidise a loss making area of the business.

Julie said that it is projected that parcels business will increase as letters decrease. RM needs to invest in new technologies to improve parcel delivery and has already started to do this.

Kim Karam from the office of Tavish Scott MSP highlighted the fact that Shetland has a problem with delivery companies refusing to deliver there or only delivering to Aberdeen. Julie added that the regulator has no control over parcel delivery companies outside of the USO. RM may charge £1.10 to deliver to Shetland, but it actually costs them three times that amount.

John said that the difference in price is due to the difference between regulated and unregulated services. The problem stems from the level (weight) at which regulation has been set. This is currently 250g.

Susan Grasekamp, Scottish Disability Equality Forum, said that their members were concerned about the impact of any discontinuation of parcel delivery subsidies for vulnerable consumers in rural areas and also the need to maintain a viable network of accessible post offices.

Julie said in response that, under the USO, everyone will still get mail delivered as long as this is enshrined in law. RM does not want to end their involvement with the USO. They have a large network of delivery offices which they try to keep as close as possible to people. Retailers need to give consumers the choice of RM or another parcel delivery company. They need to be asked why they do not currently give consumers a choice.

Mr Gibson said that there are usually three options given for many consumers: RM; higher charge for another delivery company; or they simply refuse to deliver altogether. Surcharges can be horrendous, many people in Arran have said it is often cheaper to go to the mainland on the ferry and buy there than get it delivered.

Colin said that the FSB in Scotland has wrestled with this for a long time. Many of their members in the Highlands who are customers are frustrated by this. There needs to be a focus on why senders are not using RM. He raised the possibility of a kite mark scheme, or

similar, where retailers could show that they were being responsible in providing alternative delivery options.

Trish informed the Group about the forthcoming added Parcel Delivery Summit in Inverness on 23 November 2012. CFS is working with UK colleagues and will take forward the issues raised today. There has been a lot of MSP interest in the work of CFS and CAS in relation to parcels delivery and the CPG may wish to consider widening this discussion in the future.

Mr Henry encouraged all organisations to respond to the Ofcom consultations and to highlight the issues raised at the meeting.

The Ofcom response to the Postal User Needs consultation will probably not be ready by the time of the next meeting but can be discussed at the meeting in April 2013.

#### **4. Next Meeting**

The next meeting of the Cross-Party Group will take place on Tuesday 12 February 2013 at 6pm.