

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

### **Minutes of the meeting on 26 February 2013 at 18.00**

#### **Present:**

#### **MSPs**

Kenneth Gibson MSP (Co-convenor and Chair)  
Roderick Campbell MSP

#### **External Organisations**

Annie McGovern – Consumer Focus Scotland (CFS)  
Trisha McAuley – Consumer Focus Scotland  
Gemma Crompton – Consumer Focus Scotland  
John Brown – Communication Workers Union (CWU)  
Sarah Beattie-Smith - Citizens Advice Scotland (CAS)  
Felicity MacFarlane – Royal Mail (RM)  
Hannah Frodsham – Office of Fair Trading (OFT)  
David MacKenzie – Highland Council Trading Standards (HCTS)  
Claire Mack – Ofcom  
Connie Hewitt – Post Office Ltd.  
Stephen Mooney - Yodel  
Colin Borland – Federation of Small Businesses Scotland (FSB)

#### **Apologies**

Hugh Henry MSP (Co-convenor)  
Patricia Ferguson MSP  
Aileen Campbell MSP  
Jamie McGrigor MSP

#### **1. Welcome**

Kenneth Gibson MSP welcomed everyone to the meeting.

#### **2. Minutes from the last meeting**

The minutes of the meeting on 13 November 2012 were approved without change. There were no matters arising from these minutes.

#### **3. Presentation**

Annie McGovern, Consumer Focus Scotland (CFS) presented an overview of parcel delivery issues in Scotland, highlighting work that had been undertaken by a variety of organisations including Consumer Focus Scotland, Citizens Advice Scotland, Highland Council Trading Standards and the Office of Fair Trading. The presentation explored a number of problems consumers, particularly those living in rural areas of Scotland, experience with parcel deliveries, such as higher prices, reduced choice, and longer delivery times. The presentation also highlighted progress being made to address these problems, including: the consultative approach being taken by Highland Council Trading Standards to address illegal practice by traders; innovations by parcel delivery companies; and the recent parcel

Consumer Focus Scotland/Scottish Government summits, both chaired by the Minister for Energy, Enterprise & Tourism, Fergus Ewing MSP.

#### **4. Discussion**

Kenneth Gibson MSP thanked Annie for her presentation. He asked for more detail on the outcomes of the parcel delivery summits. Trisha McAuley from Consumer Focus Scotland informed the group that a wide range of organisations had demonstrated a willingness to engage with the summits, and there was agreement that some action should be taken to address the problems experienced by consumers in Scotland. It had been proposed and agreed that a working group should be set up to develop a code of practice for parcel deliveries.

Stephen Mooney from Yodel explained that Yodel was taking a proactive approach to addressing consumers' needs. It now applied a standard price for all deliveries across the country, and also provided evening deliveries up to 9pm. Trisha McAuley welcomed Yodel's commitment to standard pricing, and asked how it was able to achieve this and whether the service was funded by way of a cross-subsidy from other consumers. Stephen Mooney confirmed that this business model covered its costs through cross-subsidies. He explained Yodel will deliver in rural areas two to three times a week, rather than on a daily basis, to ensure it has sufficient volumes of parcels to make deliveries in such areas viable.

There was further discussion about cross-subsidising deliveries. It was noted that cross-subsidies might lead to consumers in urban areas paying a few pence more for deliveries, but it would lead to large savings for consumers in rural areas. Kenneth Gibson MSP noted the reputation of a company may be enhanced if it offered a standard pricing structure.

Kenneth Gibson MSP asked for more information about the work being undertaken by Highland Council Trading Standards. David MacKenzie from Highland Council Trading Standards (HCTS) explained that overall, most of the traders they were dealing with were reputable, but they didn't fully recognise or understand their legal obligations for trading online. HCTS was taking a consultative approach, and had opened dialogue with a number of traders. Some negotiations had been protracted, but had led to retailers changing their practice. HCTS was now working through the information provided by Citizens Advice Scotland's research, which was highlighting a large number of retailers they would require to speak to. A consortium of trading standards in the north of Scotland had been formed to tackle some of the problems that had been exposed.

David MacKenzie stated he was particularly interested in the role of carriers. Many retailers had told HCTS that their delivery charges simply passed on the charges made by carriers, and HCTS had seen documentation that supported this. He noted that smaller companies did not have the negotiating power to agree preferential rates with carriers. HCTS had no power to act where prices seemed excessive, provided those prices were transparent.

Kenneth Gibson MSP expressed his surprise at the figure from Citizens Advice Scotland's research that 55% of retailers would not deliver to any Scottish islands. Stephen Mooney from Yodel also expressed surprise at this, as larger carriers would likely sub-contract to local carriers to ensure deliveries could be made in these areas. David MacKenzie suggested such policies may be instigated by retailers rather than parcel operators. Sarah Beattie-Smith from Citizens Advice Scotland (CAS) explained that this figure originated from information provided by consumers, which CAS followed up by undertaking desk research of retailers' policies, as detailed on their websites. The retailers captured by this research covered a range of different sizes of business and businesses working in a variety of sectors.

Colin Borland from the Federation of Small Businesses highlighted the particular challenges faced by small businesses, which had less negotiating power with carriers, as their parcel volumes were less. It was important for such businesses to have their goods uplifted by carriers, but many small businesses were unable to get in to some carriers' networks.

There was discussion about general parcel delivery issues reported by consumers. Colin Borland emphasised it was important to give retailers information about what delivery options consumers value. There was some uncertainty amongst the group, however, about whether market forces alone would be sufficient to lead for improvements for consumers in the highlands and islands because the population in such areas was so small compared to the rest of the UK. It was suggested that other forms of pressure on retailers may be required. However, it was emphasised that the parcel delivery solutions that consumers in Scotland wanted were likely to be solutions that consumers across the UK would value.

Kenneth Gibson MSP asked what delivery solutions were offered by companies. He highlighted lockers as one example where research showed there wasn't much uptake by consumers. Annie McGovern explained that research showed lockers were more popular amongst young people. Amazon had invested in lockers. Stephen Mooney highlighted that Yodel was also expanding the number of lockers it had available.

Claire Mack from Ofcom noted that Ofcom was soon to publish research which supported existing evidence highlighting the importance to consumers of timeslots for delivery, and being offered flexible solutions. Connie Hewitt from Post Office Ltd observed that Royal Mail's collection offices had offered extended opening times over the Christmas period, which had had a very positive response from consumers. John Brown from the Communication Workers Union explained that Royal Mail's delivery to neighbour service was becoming more popular. Although Royal Mail would want to pick up parcels from delivery offices rather than lockers, he thought Royal Mail was keen to discuss different delivery options. The creation of larger delivery offices potentially increased the feasibility of longer opening hours. He suggested that pressure from consumers might encourage Royal Mail to look at innovative solutions, particularly as the research showed that consumers were keen to have the option to have their parcels delivered by Royal Mail.

Annie McGovern and Sarah Beattie-Smith commented on the value consumers placed on the Universal Service Obligation, particularly in the use of a flat fee for delivery across the country. Citizens Advice Scotland's research had illustrated that consumers were frustrated when they were being charged more for delivery, but not offered delivery by Royal Mail, especially when some carriers used Royal Mail for the end part of the delivery. David MacKenzie explained that many retailers were tied into contracts with specific companies for their deliveries, and it would therefore be difficult for these companies to make special arrangements for certain parcels. It was suggested that in order to overcome this problem, pressure would have to be put on carriers by politicians and interest groups, as well as appealing to their commercial interests.

Trisha McAuley noted that these issues would likely be considered through the working group being established. Consumer Focus Scotland and the Scottish Government wish to work with businesses to find sustainable solutions to this issue. There was a need to work with retailers, and trade bodies to understand their perspectives and problems.

John Brown suggested there were a number of cross-border issues, and the parcel delivery problem should not just be thought of as a Scottish problem. He suggested a need to work with cross-border organisations, as well as counterpart organisations in other jurisdictions, such as the Welsh Assembly. Trisha McAuley advised that CFS was working with UK

colleagues and also that there was strong interest from the European Commission in activity going on in Scotland, as it was currently considering problems with cross-border e-commerce. David MacKenzie agreed that a trusted trader scheme would likely only be feasible if it applied across the UK. In order to do that, there would likely be a need to show this issue was not just a Highlands and Islands issue, but was relevant for consumers across the UK.

Colin Borland suggested the FSB would be supportive of companies being encouraged to provide an option of sending parcels by Royal Mail. However, this would be helped if it was easier for small retailers to get into the Royal Mail network. Some members had reported that they had to take their goods to the post office because they did not have sufficient volumes of mail for Royal Mail to uplift from them.

Sarah Beattie-Smith suggested that transparency of pricing was key. Some of the retailers responding to the CAS survey had reported that they did not know how carriers were setting prices. If the retailer doesn't know how the prices are set, they cannot then provide this information to their consumers.

## **5. Themes for next and future meetings**

Kenneth Gibson MSP asked for feedback on the outcomes of the working group, particularly the development of the code of practice, to be given regularly to the group. It was agreed that this should be added as a standing item on the agenda.

It was agreed that the April meeting would discuss the findings of two key pieces of work by Ofcom: its postal user needs review, and the results of its end-to-end competition trial. A representative from Ofcom would deliver a short presentation to the group on this work.

It was agreed that the June meeting would discuss the issue of post office transformation. A suggestion to discuss the role of the post office as a front for local government services, particularly in light of welfare reform, was considered premature, but Kenneth Gibson MSP suggested this could be discussed at a future meeting.

Kenneth Gibson MSP suggested that Fergus Ewing MSP, Minister for Energy, Enterprise and Tourism, Scottish Government, and Richard Lochhead MSP, Cabinet Secretary for Rural Affairs and the Environment, should be invited to attend one of the meetings to be held before summer recess.

## **6. Next Meeting**

Provisional dates of Wednesday 24<sup>th</sup> April and Tuesday 18<sup>th</sup> June were agreed for future meetings of the group.