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29 June 2018

Dear Pete

Further to my letter of 25 April I am now writing to provide an update on the CPP's coordinated work to address concerns regarding delivery surcharges applied predominantly to parcel deliveries to parts of Scotland and Northern Ireland. This fulfils a commitment made by my predecessor, Margot James MP, during the Westminster Hall debate on 20<sup>th</sup> December 2017.

The CPP initiated work to identify recommendations for a coordinated package of action by CPP partners in Summer 2017. A project team of CPP partners was convened including the Competition and Markets Authority (CMA), Citizens Advice Scotland (CAS), the Consumer Council for Northern Ireland (CCNI), the Advertising Standards Authority (ASA), Trading Standards Scotland, the Chartered Trading Standards Institute (CTSI), and the Scottish and Northern Ireland Governments. Non CPP partners were also invited including Highland Trading Standards who receive numerous complaints on a weekly basis and Ofcom (as the regulator for postal services).

The CPP project team undertook a review of the legislative framework, assessing research and complaints information with a view to developing recommendations for action to address these concerns. This highlighted significant complexities but identified two broad concerns around which CPP partners could develop recommendations:

- The transparency and accuracy of information; and
- the level and fairness of surcharges.

#### Transparency and accuracy of information

A review of complaint case studies/examples from Scotland and Northern Ireland identified that some retailers are failing to explain exceptions to UK delivery claims and/or are failing to provide up-front details on where delivery surcharging and other delivery restrictions apply and what they mean in practice. Most of the complaints, but not all, relate to the business practices of SMEs, usually based in England and Wales, rather than large international or national online retailers. Examples of these issues include:

- Free UK Delivery – which excludes Highlands and Islands, and NI in the terms and conditions

- Free UK mainland delivery – but excludes delivery to the Highlands (or Islands connected by bridge, like Skye)
- Online platforms stating “Free UK delivery” when item descriptions set out delivery restrictions on the same page.

A lack of accurate and timely information about delivery charges and restrictions, disadvantages consumers leading them to make poorer purchasing decisions which can be more expensive; lead to increased search costs; a greater chance of online consumers abandoning baskets during the checkout process; or lead consumers to miss out on the item entirely. This can also inhibit competition between traders if, for example, consumers decide not to switch sellers because delivery information that might affect their choice of trader is only provided at a late stage in the purchasing process.

#### Level and fairness of parcel surcharges

Research undertaken by various CPP partners found that the cost of delivering parcels to parts of Scotland and Northern Ireland were, to varying degrees, higher than the costs of delivering parcels to other parts of the UK. However, whilst differentials can be noted there remains a significant gap to understanding the specific drivers for higher prices and whether these can be objectively justified. The surcharge can be dependent on the specific item, delivery location, delivery business model and other factors such as:

- The tripartite relationship between the consumer, online retailer and delivery operator and in some cases third party operators. These relationships involve commercial decisions-based parcel operator and retailer business models and costs.
- Larger (or bulk) retailers may be able to negotiate standard prices and terms across the UK so as not to face higher costs to deliver in these areas. However, smaller retailers (or those with a very small number of deliveries to NI and areas of Scotland) may not be able to negotiate such an agreement and may face higher costs.
- Challenges in determining to what extent higher prices are driven by higher delivery costs. Ofcom research identified several factors which may cause costs to be higher for parcel deliveries to these areas. These include increased mileage costs, travel costs across water, lower drop density and use of third party delivery operators. However, whilst these factors appear to provide a reasonable rationale for increased costs, it remains unclear to what extent this justifies higher prices in specific circumstances.
- Developments in the delivery market, which have the potential to impact costs and availability such as parcel operators offering ‘added value functionality’ (such as changing delivery address whilst package is in transit; SMS and email updates).

#### **Coordinated Consumer Protection Action**

In response to the findings of the review, I am pleased to report that CPP partners have undertaken several actions to address the concerns raised. These include:

- The launch of a dedicated parcel surcharging website (portal) to better support consumers and businesses concerned about parcel surcharging which has gone live on 22<sup>nd</sup> June. The website brings together in one place guidance for business and consumers. Consumers can also use the templates provided to register a complaint which is then automatically referred to the relevant trading standards authority. Information collected from complaints registered through the website will help to inform future action. This work has been led by Highland Trading Standards and Trading Standards Scotland.

- Revised guidance for business on the CTSI's Business Companion website linking to the information and advice on the parcel surcharging website.
- CCNI, CAS and Citizens Advice undertaking to review the current guidance for consumers so that this can link to the information and advice on the parcel surcharging website.
- Compliance and enforcement action with over 150 enforcement notices issued by the ASA and advisory notices issued by the CMA to 4 online retail platforms.

Improving the transparency and accuracy of parcel surcharges will improve competition between online retailers by ensuring consumers can make informed decisions, helping to reduce costs. This package of coordinated action will therefore lead to tangible improvements for consumers concerned about parcel surcharging.

Whilst a good deal of progress has been made I recognise that further work to understand and address concerns about the level and fairness of parcel surcharges, illustrated by the complexities outlined above, is needed. Paul Wheelhouse, the Scottish Minister hosted an industry roundtable on 27<sup>th</sup> June which looked at these issues and how they might be addressed to better serve Scottish consumers and I look forward to seeing the outcome of that discussion and how any recommendations and/solutions might apply to Northern Ireland and other remote areas of the UK.

We will keep this work under review and the complaint information provided through the new website will help us and to better monitor concerns to inform future action.

I would be pleased to meet with you to discuss these issues if you think that would still be helpful. Please get in touch with my diary manager, Hibaq Said, on 020 215 5931 to arrange a convenient date.

Yours sincerely

A handwritten signature in blue ink that reads "Andrew Griffiths". The signature is written in a cursive style with a large, stylized 'A' and 'G'.

**ANDREW GRIFFITHS MP**  
Minister for Small Business, Consumers & Corporate Responsibility