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# **Fairer Deliveries For All: A Year of Action**

## **A Progress Statement on Fairer Deliveries for All: An Action Plan**

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## Ministerial Foreword



This Government is determined to make the most of its consumer advocacy powers to drive forward a more robust and coherent consumer and competition policy, focused on tackling the most prevalent and detrimental consumer problems.

Unfair parcel delivery charges is one of these consumer problems.

That is why I launched Fairer Deliveries For All: An Action Plan in November 2018. This Plan had eight clear actions aimed at tackling the long-standing and well-established problem in Scotland, namely that of the unjustified and unfair treatment of postal deliveries to many of our rural and remote areas.

This Progress Statement provides an update on these actions. The key highlight for me is the launch of the interactive data hub and parcel delivery map. This is a first of its kind website that will finally allow users to track both discrepancies between and within geographic areas and to establish if a delivery price is outwith what should reasonably be expected. This map will be a powerful tool for pinpointing unfair delivery charge hotspots. There will be no hiding places for unscrupulous businesses now.

The Scottish Government cannot, and should not, solve the parcel delivery problem by itself - collaboration and genuine commitment is needed by all those with a part to play.

This is why I accepted an invite from Richard Lochhead, Moray MSP to visit the IV/AB postcode boundary at Orton on 15 August 2019. I saw at first-hand a clear example of this postcode anomaly. Delivery lorries pass the homes in Orton, which have an IV postcode, where they either charge or won't drop-off at all, to get to an Aberdeen postcode, which is literally just the other side of a field. To further explore this type of anomaly I'm delighted to announce that Citizens Advice Scotland will be carrying out research this coming year into postcode misclassification.

There is cross-Party support in Westminster, as there is in Holyrood, for fairer delivery charges. Only last year a Westminster Hall Debate was held on 2 July which was followed by a Scottish Parliament Members' Debate on 4 December 2019 on parcel delivery charges. As the parcel market is reserved to the UK Government, only the Ministers there can compel the change that we need in Scotland. That is why I am so disappointed that in my dealings with the UK Government Ministers they still do not see the need for regulation.

Through the actions in the Plan we are compiling an evidence base to make the compelling case for regulation to the UK Government and I will continue to make this case at every opportunity I can.

It is not only the Action Plan we have as a tool to tackle unfair parcel delivery charges. Going forward we will have Consumer Scotland. The Consumer Scotland Bill (now Act) was introduced into Parliament on 5 June 2019, passed Stage 3 unanimously on 6 May 2020 and a month later on 9 June received Royal Assent. This new body will represent the views of consumers and take an evidence-based approach to tackling the most serious issues of consumer harm in Scotland.

It would be remiss of me not to make mention of the Coronavirus pandemic and the impact that has had on every one of us. I would like to thank one group of unsung heroes that continued to provide an invaluable service during the lockdown period – the delivery drivers. Due to the restrictions placed on consumers, online shopping increased dramatically and the delivery drivers really stepped up their daily deliveries for the people of Scotland. These deliveries can provide a vital lifeline to those self-isolating, particularly people who may be vulnerable.

Let me finish by reiterating that collaboration is the only way that we can successfully implement change. I urge all those involved in parcel deliveries to come and work together to ensure fairer deliveries for all.

A handwritten signature in black ink, appearing to read 'Jamie Hepburn', with a long horizontal flourish extending to the right.

**Jamie Hepburn MSP**

Minister for Business, Fair Work and Skills

## Parcel Delivery Highlights



Meeting in January 2020 with @ScotGrocersFed to discuss challenges and opportunities for the convenience store sector in Scotland including delivery charges.

Tweeting on 24 December 2019 highlighting the need for the Action Plan.

@scotgoveconomy  
Read more from Business Minister @jamiehepburn on unfair delivery charges over on our blog <http://bit.ly/2sZzqiy>



15 August 2019 at the postcode boundary in Orton with Richard Lochhead, Moray MSP

Showing support on the first anniversary of the DeliveryLaw website on 22 June 2019 @scotgoveconomy

Congrats to all involved in the DeliveryLaw website, which launched a year ago to help consumers and businesses understand the rules around parcel deliveries.

## Introduction

Over the last decade, online purchases have grown from around 5% of total retail sales in the UK to almost 20%.<sup>1</sup> Despite this increase in online sales, complaints around parcel deliveries are still a prominent issue. The Scottish Parliament Information Centre (SPICe) has estimated that the additional cost to Scottish consumers of parcel delivery surcharges has increased year on year, from £36.3 million (2017) to £38 million (2018) and to £40.1 million (2019).<sup>2</sup>

Although this is a reserved area to Westminster, most of the issues faced are in the remote and rural areas of Scotland. There is cross-Party agreement within the Scottish Parliament that more needs to be done to tackle this issue. On 4 December 2019 a Members' Business Debate on Unfair Delivery Charges<sup>3</sup> highlighted a variety of examples from Members' constituents about parcel delivery issues such as:

**“Delivery charge to postcode DD9 for a futon costing £269 was £189 with the reason given that the person lived outside mainland England.”**

**“Plastic horse connectors costing £4.99 however £15 delivery charge as parcel was being sent to island of Bute.”**

**“Business owner surcharged more than the cost of the original order.”**

When the Scottish Government held Fair Delivery Day on 26 November 2018, the Minister for Business, Fair Work and Skills, Jamie Hepburn MSP, launched Fairer Deliveries for All: An Action Plan.<sup>4</sup> This Plan set out a series of actions designed to tackle these long-standing issue of unfair delivery charges in remote and rural areas of Scotland.

In developing this Plan, the Scottish Government acknowledges that there are real and genuine challenges in delivering parcels to remote and rural areas. Difficulties accessing destinations, long distances for drivers to travel, and overall lower delivery volumes are all legitimate considerations for retailers and delivery companies. At the same time, it is also recognised that some charges – or surcharges – do not accurately reflect the true costs of delivery: whether that is because rogue traders unfairly raise prices (i.e. a degree of profiteering); or perhaps because it has become standard industry practice to raise prices unduly for certain areas or postcodes; or because current postcode mapping does not always accurately reflect location information.

1 Office for National Statistics, [Retail Sales Index time series](#)

2 SPICe, [Scotland's parcel delivery surcharge cost on the up](#), 26 November 2019

3 <http://www.parliament.scot/parliamentarybusiness/report.aspx?r=12410&i=112141>

4 <https://www2.gov.scot/Publications/2018/11/7770>

The actions therefore fall into two categories:

- i. actions to reduce unjustified delivery discrepancies for people across Scotland; and
- ii. actions to reduce justified discrepancies by trying to tackle some of the underlying challenges inherent in rural and remote delivery.

Eight actions were developed to deliver these aims and will continue the momentum of tackling unjust delivery costs faced by many in Scotland. These cover a range of areas, from empowering consumers to addressing some of the root causes of unfair practices. Taken together, they represent a powerful potential to bring real change.

This Progress Statement provides an update on each of the eight actions. It is published more than a year after the original Fair Delivery Day as Fair Delivery Day 2019 had to be postponed due to the UK General Election which was held on 12 December 2019 and the restrictions that apply during the pre-election period. Fair Delivery Day was then re-arranged for 9 April 2020. However, due to the Covid-19 pandemic this event was cancelled; and work had to be reprioritised. As restrictions are still in place in relation to Covid-19 it is not appropriate to hold a physical event as planned.



## Summary of Actions

- 1. We will develop an interactive data hub to allow users to measure the fairness of delivery pricing to improve transparency and drive behaviour change.**
- 2. We will develop the Scottish Parcel Delivery Map to understand consumer experiences and target interventions.**
- 3. We will celebrate best practice by retailers and parcel delivery companies.**
- 4. We will work with industry to explore how to increase the impact and reach of the Statement of Principles.**
- 5. We will make it easier for consumers to know and exercise their rights.**
- 6. We will improve the accuracy of postcode classification tools.**
- 7. We will establish the Improving Consumer Outcomes Fund to explore new approaches to tackling long-standing consumer issues, including misleading and unfair delivery charges in rural and remote areas of Scotland.**
- 8. We will shape UK Government action to further strengthen consumer protection.**



## Progress of Action Points

**We will develop an interactive data hub to allow users to measure the fairness of delivery pricing to improve transparency and drive behaviour change**

**We will develop the Scottish Parcel Delivery Map to understand consumer experiences and target interventions**

The first two actions in the Action Plan have become inextricably linked as work on them has progressed. On this basis, this section provides an update on both the online data hub and the interactive parcel delivery map, both of which are being hosted on the same [www.fairdeliveries.scot](http://www.fairdeliveries.scot) platform.

In May 2019, the Scottish Government commissioned independent analysis to help address the lack of robust evidence of delivery pricing in Scotland<sup>5</sup> and to conduct an econometric analysis as a first step towards benchmarking when and where delivery charges are fair and unfair in Scotland. This research document, 'An econometric analysis of postal delivery pricing in Scotland', can be found on the Scottish Government website.

Defining 'fairness' is fraught with difficulty. However, this research and analysis has used an econometric model to predict postal charges based on underlying geographic and parcel characteristics, allowing it to estimate the relative impact of each of these characteristics and the resulting postal charge.

This approach generated new findings that have strengthened the evidence base on postal delivery charges in remote and rural areas in Scotland. It presents results from analysis, using 24,364 pricing quotes from six major delivery companies and 6,771 pricing quotes from seven national online retailers across all 1,029 postcode sectors in Scotland. Shipping quotes were requested for small, medium and large parcel sizes as well as a range of bulky consumer products.

An econometric model was used to estimate average prices and delivery availability after controlling for geographic and package characteristics that may influence how companies set their delivery policies. A second econometric model then considered the probability of refusal of delivery, again after controlling for geographic and package characteristics.

This website is the first of its kind and will be instrumental in providing transparency to consumers, retailers and delivery companies, and will form part of the Scottish Government's wider plan to ensure that action to drive change is focused on the right solutions to the right problems. It will also be updated on a monthly basis to ensure that users have the most up to date information.

<sup>5</sup> Whilst being mindful of the fact that, due to the geography of Scotland and the dispersion of our population, it *does* often cost more to deliver to rural / remote areas, but, that in some cases, these charges are not proportionately or consistently applied

## We will celebrate best practice by retailers and parcel delivery companies

Best practice is demonstrated in a variety of ways and this section highlights ways in which retailers do put their customers first and what can be done to encourage other retailers to adopt best practice.

As part of the independent research carried out into exploring the impact of the Statement of Principles,<sup>6</sup> a questionnaire was developed which included questions to determine best practice. Most businesses responded stating that they use Royal Mail<sup>7</sup> wherever possible to avoid surcharging. Where businesses did find themselves facing extra costs, more than two-thirds said that they covered/absorbed this cost themselves.

eBay, the online marketplace, encourages its sellers to offer free delivery favouring these items in their search results. eBay has said that it shares frustrations about unfair delivery costs and that it is “always trying to push our sellers, in a nudging way rather than through strict enforcement”.<sup>8</sup> In contrast to eBay, Amazon, another online marketplace, began permitting surcharging in 2019,<sup>9</sup> a reverse of its previous policy laid out before the Scottish Affairs Committee (2018).<sup>10</sup>

Menzies Parcels has developed a website<sup>11</sup> that provides a unique service to customers in the Highlands and Islands of Scotland to avoid unfair parcel surcharging. This service also allows users to order purchases from retailers that traditionally do not deliver to their postcodes. Simply put, it allows users to create an online account and have their parcel sent to Menzies Parcels’ central belt address. Menzies Parcels will then deliver the parcel to the user’s local depot without the usual surcharges associated with rural and remote areas.

When things go wrong organisations such as the Advertising Standards Authority (ASA) can take enforcement action. However, ASA can only take such action when informed of misleading parcel delivery information.

Public pressure is also a strong motivation for companies to do the right thing. Richard Lochhead MSP for Moray has been campaigning for fair delivery charges for a number of years. Most recently, his campaign has resulted in Wayfair,<sup>12</sup> the home furnishing store, altering its delivery policies to provide a free delivery service to the whole of the UK for orders over £40. Prior to this, customers could be charged up to £40 extra delivery costs depending on where they lived.

6 <https://www.gov.scot/publications/parcel-delivery-statement-of-principles/>

7 Royal Mail has to adhere to a Universal Service Obligation that includes a commitment to ensuring that postal services are set at an affordable, uniform tariff across the UK, including parcels up to 20kg

8 Scottish Affairs Committee, [Oral evidence: Delivery charges in Scotland](#), 27/02/2018.

9 Tamebay, [‘Amazon UK Shipping Region Surcharges Introduced’](#), 08/05/2019

10 Scottish Affairs Committee, [Oral evidence: Delivery Charges in Scotland](#), 27/02/2018

11 <https://www.highlandparcels.com/>

12 <https://www.renfrewshire24.co.uk/2019/03/13/online-homeware-and-furniture-retailer-wayfair-co-uk-reverse-unfair-delivery-surcharge-to-renfrewshire-recidents/>

## **We will work with industry to explore how to increase the impact and reach of the Statement of Principles**

The Statement of Principles was developed in 2013 by a working group to assist retailers in promoting best practice when dealing with sales over the internet. In 2018, there was a soft update to the Principles as information from the ASA was included. During this time there has not been much publicity over the Principles and online shopping has increased dramatically.

As part of the Action Plan, independent research was commissioned into the Statement of Principles. The Review of the Statement of Principles for Parcel Deliveries research is available on the Scottish Government website.

The research did highlight that overall there are still low levels of awareness of the Principles but amongst those who had heard of them, there was broad support for the rationale behind them and a keenness to see them promoted further.

Nine recommendations were made and the Scottish Government, Citizens Advice Scotland (CAS) and other key stakeholders will undertake further work based on these recommendations.

## **We will make it easier for consumers to know and exercise their rights**

Having just celebrated its second anniversary, [www.deliverylaw.uk](http://www.deliverylaw.uk)<sup>13</sup> was launched in June 2018 to provide a one-stop shop for advice and reporting on delivery surcharges, restrictions and free delivery. It is the main portal for anyone, whether consumer or business, to go to for information on rights and obligations in relation to parcel delivery. The Scottish Government encourages use of this website and has it highlighted on <https://www.gov.scot/policies/consumers-and-competition/parcel-delivery-charges/> and <https://www.mygov.scot/consumer-rights/>. It is also highlighted on the [fairdeliveries.scot](http://fairdeliveries.scot) website which hosts the Scottish Government's online data hub and parcel delivery map.

The Scottish Government funds <https://www.consumeradvice.scot/>. This website provides a "one-stop shop" for practical and impartial advice on resolving consumer problems, including delivery issues. Information is shared with regulators where appropriate. This website is also linked to the DeliveryLaw website. We also work with resolution organisations, such as Resolver, to ensure that they are also aware of routes available to any of their clients complaining about parcel delivery charges.

As part of the process of working together to tackle unjustified or misleading delivery charges, Jamie Hepburn MSP, Minister for Business, Fair Work and Skills, issued a letter in May 2019 to all elected MSPs advising them that the Scottish Government was gathering an evidence base of those affected by unfair parcel delivery charges urging them to highlight this work to their constituents and asking them to fill in a short online survey.

<sup>13</sup> This website is designed and managed by The Highland Council and funded by Trading Standards Scotland, on behalf of the UK Consumer Protection Partnership

## **We will improve the accuracy of postcode classification tools**

Postcode misclassification is a challenging area and remains one of the hardest Action Points to resolve. One of the reasons for this is the reluctance from organisations to divulge information on the postcode software they use and also the potential requirement for co-operation with commercial interests. However, both the independent Statement of Principles and Econometric research refer to the postcode misclassification issue and as such the Scottish Government is committed to solving this issue. The Protecting Scotland's Future: the Government's Programme for Scotland 2019-2020 publication<sup>14</sup> states that it will introduce a:

**“new postcode tool to reduce the instances of unfair delivery charges resulting from postcode misclassification.”**

Transparency is the main reason why the Scottish Government wants to get to the route of postcode classification. It is recognised that there can be differences in pricing between rural and urban areas and as long as these costs are transparent and explained to customers these can be justified. However, on many occasions these costs aren't transparent or explained.

Therefore it is necessary for further research on this front to gather a broader, deeper and more robust evidence base to allow us to better understand the cause of these discrepancies and have a greater body of evidence with which we can then use to subsequently engage with software companies and businesses.

As part of their forthcoming work plan, CAS has committed to carrying out research to establish whether misclassification of postcodes through ecommerce platforms is a cause of or contributing factor to certain unfair delivery charges in Scotland. Undertaking research to further understand this issue can then allow for further advocacy work to be undertaken with Government, regulators, retailers, and, potentially, the software companies themselves, to address this issue if it is found to be unfairly impacting on delivery charges in Scotland.

## **We will establish the Improving Consumer Outcomes Fund to explore new approaches to tackling long-standing consumer issues, including misleading and unfair delivery charges in rural and remote areas of Scotland**

Consideration was given to how this Fund could address postal delivery inequalities in rural areas in relation to the work that was already ongoing in the Action Plan. The decision was made that industry driven solutions were unlikely to be sustainable, and able to get to the heart of the issues. It was agreed that resource could be more effectively invested in understanding the underlying causes of the postcode misclassification problem – research and stakeholder engagement are considered a more effective approach to tackling this example of systemic detriment. As such, postcode misclassification work is now being taken forward by CAS utilising their expertise in postal delivery charges. This work is being supported by the Scottish Government's consumer advocacy grant for CAS's work-planning activities.

<sup>14</sup> <https://www.gov.scot/publications/protecting-scotlands-future-governments-programme-scotland-2019-20/>

## **We will shape UK Government action to further strengthen consumer protection to ensure fair and transparent delivery charges for Scottish consumers**

We continue to be a partner in the UK Consumer Protection Partnership ensuring that Scottish specific needs are heard and acted upon.

We have established a Scottish working group with our key stakeholders to discuss respective workstreams and where we can work together and support each other. Instances of this include providing detailed information to independent researchers carrying out work on behalf of the Scottish Government.

We will continue to apply pressure on the UK Government as the power to regulate surcharging lies with Westminster. To date, both Governments' Ministers have exchanged correspondence and phone calls. However, the UK Government is of the view that regulation is not necessary in this area.

The new Consumer Scotland body will have an overarching aim of looking at consumer detriment.



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