

## **Scottish Government Draft Climate Change Plan**

**Evidence to the Rural Economy and Connectivity Committee – February 2017**

### **Summary**

- The CFU is concerned that by considering only urban logistics systems and not the operation of logistics systems in rural areas, the draft CCP risks damaging outcomes for rural consumers of postal services - specifically parcel deliveries.
- The relevance of delivery consolidation centres to rural areas should be considered, as there is potential to reduce both emissions and consumer costs.
- Policy intended to drive investment in low emission technology by logistics firms must consider the rural context as well as the urban, or there is a risk of further detriment to rural consumers when compared to urban consumers.

### **Introduction**

1. The Consumer Futures Unit ('the CFU') sits within Citizens Advice Scotland ('CAS'). The CFU is the Scottish consumer representative body in the regulated markets of energy, post and water. It uses evidence, expert analysis and research to put consumer interests at the heart of policy-making and market behaviour.
2. The CFU welcomes the Scottish Parliament's scrutiny of the Scottish Government's third draft Climate Change Plan (CCP) and we are pleased to have the opportunity to comment on Scottish Ministers' plans for meeting Scotland's annual greenhouse gas (GHG) emissions reduction targets. We have limited our comments to areas of the draft plan that are directly relevant to our remit.

### **Overall assessment**

3. The draft CCP has clearly set out the Scottish Government's vision for a low carbon Scotland to 2032, and sets out the overarching framework for achieving GHG emissions reduction targets. Yet, while we have assessed the draft plan as being high in ambition, it is low on detail about implementation. As a result, it has been difficult to comment on:
  - the scale of the reductions proposed;
  - the timescales required for targets to be met; and
  - the significant questions over the costs and affordability of the programme to consumers.
4. To date much of the progress on reducing Scotland's GHG emissions has been from changes in the power generation sector. While some of this has been from increased renewable generation, much of the reduction is a result of the closure of Scotland's coal-fired power stations. This brings into sharp focus the enormity of the challenge, particularly if the

transformational changes in consumer lifestyles are to be realised.

5. Unlike previous reports on policies and proposals (RPP1 & RPP2), the draft CCP does not include details of specific emission reductions attributable to each policy or proposal. This makes it difficult to understand the relative significance of each policy or proposal in meeting the targets.
6. The following evidence presents the CFU's concerns with the draft plan which relate to the committee's focus on rural affairs and transport. In general our concern is that if policy is designed solely around urban logistics systems, rural consumers could find themselves further disadvantaged in a market that is already challenging for rural communities. More specifically, these concerns relate to:
  1. Consideration of delivery consolidation centres
  2. Impact on operator fleet renewal decisions

### **Delivery Consolidation Centres in rural areas**

7. The draft plan makes reference to the role of out-of-town consolidation centres and low emission zones in reducing emissions from delivery vehicles in urban areas, but does not consider the applicability of consolidation centres to rural areas. We are keen that the plan does consider the use of delivery consolidation centres in rural areas, where parcel delivery often costs more, as this approach has the potential to increase efficiency and so to reduce cost to consumers.
8. In rural areas delivery vehicles have to cover more miles per delivery due to low population density, and in the north and west of Scotland in particular this is combined with the increased distance from national operators' delivery hubs in the south. As a result, consumers in the north and west of Scotland often have to pay significantly more for delivery of parcels compared to consumers elsewhere in Britain.
9. The additional cost of parcel delivery is a persistent problem for consumers in the north and west of Scotland, amplified by the fact that traditional in-store retail is limited and under increasing commercial pressure. Our research<sup>1</sup> has found that for larger parcels the average price of delivery to areas in the north and west of Scotland is more than double that to other rural areas of Britain. For smaller parcels consumers pay an average of 26% more in parcel surcharging areas.
10. Yet parcel deliveries in particular are increasingly important to consumers, as the proportion of retail transactions carried out online for home delivery grows. Across the UK over 80% of consumers shop online<sup>2</sup> and more than half of purchases over £20 are now carried out online for home delivery<sup>3</sup>. Again, in rural areas in particular, where traditional

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<sup>1</sup> Research by Apex Insight for the Consumer Futures Unit, to be published in 2017.

<sup>2</sup> Office of National Statistics, *Internet access – Households and individuals*, 2016

<sup>3</sup> Savvy, *The Evolution of the Path to Purchase*, available at: <http://blog.getsavvy.com/more-than-half-of-products-bought-for-more-than-20-are-now-bought-online-for-home-delivery/> [accessed 08/02/2017]

retail offerings are more limited and often under pressure, the parcel delivery industry has the potential to contribute significantly to the sustainability of rural communities if the higher costs that consumers often face can be controlled and, ideally, reduced. Our research<sup>4</sup> has found that 65% of consumers in rural areas consider delivery of online purchase to be important.

11. Therefore the final CCP should include consideration of whether the benefits of implementing urban delivery consolidations centres can also be applicable to deliveries in rural areas. While consolidation of deliveries does currently take place in a form in the north and west of Scotland, through the practice of national carriers using regional operators to deliver in these areas, there may be scope to introduce more efficient systems that both reduce emissions and costs to consumers through reducing the number of miles delivery vehicles travel. In 2017 the CFU will publish research that includes interviews with delivery operators focused on this issue, and gathering their views on how the system could be improved. Failing to consider this issue risks rural parcel delivery becoming relatively more expensive in comparison to urban delivery, further disadvantaging rural consumers.

#### **Impact on operator fleet renewal decisions**

12. The draft plan also recognises that the introduction low emission zones could be disruptive for logistics organisations, impacting on ‘fleet renewal decisions’. Here it is again important to consider the different pressures that rural geography places on the post and parcel delivery sector, and the potentially disproportionate impact that these disruptions could have on the delivery services available to rural consumers.
13. The postal sector is a particularly vital way of accessing products and services in rural areas, yet rural areas of Scotland make up a small proportion of the market for national operators. Therefore if policy in urban areas drives operators’ decisions regarding investment in new systems – for example, low emission vehicles - there is a risk of detriment to services in rural areas, where the same technology may be less appropriate or cost efficient. For this reason the final CCP should extend the consideration of the impact of emissions reduction policies on urban logistics operations to rural areas, where the issues are different yet no less important.

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<sup>4</sup> Breaking Blue Research for Citizens Advice Scotland, *Research into the importance of postal services to rural consumers*, 2016