

Communications Consumer Panel and ACOD response to Ofcom's discussion document on its review of the regulation of Royal Mail

The Communications Consumer Panel (the Panel) and the Advisory Committee on Older and Disabled People (ACOD) welcome the opportunity to respond to Ofcom's invitation to shape the scope of its review of the regulation of Royal Mail.

The Panel works to protect and promote people's interests in the communications sector, including the postal sector. We are an independent statutory body set up under the Communications Act 2003. The Panel carries out research, provides advice and encourages Ofcom, governments, the EU, industry and others to look at issues through the eyes of consumers, citizens and microbusinesses.

The Panel pays particular attention to the needs of older people and people with disabilities, the needs of people in rural areas and people on low incomes, and the needs of micro businesses, which have many of the same problems as individual consumers.

Four members of the Panel also represent the interests of consumers in England, Northern Ireland, Scotland and Wales respectively. They liaise with the key stakeholders in the Nations to understand the perspectives of consumers in all parts of the UK and input these perspectives to the Panel's consideration of issues. Following the alignment of ACOD with the Panel, the Panel is more alert than ever to the interests of older and disabled consumers and citizens.

In the interests of transparency, we would like to declare that one of the Panel Members is the Chairman of the Postal Redress Service (POSTRS) Council.

Response

We believe that the scope of Ofcom's review is timely and it is necessarily broad - recognising both changes in market conditions and in consumer behaviour (both residential and microbusiness customers) - in order to maintain a universal service that meets the needs of all consumers, is financially sustainable, fit for purpose and, crucially, affordable.

We note the outcome of Ofcom's recent review of postal complaints and redress, to which the Panel contributed¹, which is broadly to make no changes to the current arrangements. However, we would again highlight the opportunity to clarify the definition of the term "*regulated postal operator*" - and we are pleased to see that Ofcom intends to review this as part of this wider review. We believe that clearer, more meaningful terminology will make it easier for consumers to understand their rights and how to assert them.

¹ http://stakeholders.ofcom.org.uk/binaries/post/review-complaint-handling-redress/Communications_Consumer_Panel.pdf



By Royal Mail's own estimation, its position within the letters market is a near 99% share of the letters sector by volume, and 95% share by revenue (as reported in Ofcom's Communications Market Report (CMR)).²

This has implications in respect of efficiency/productivity and prices/costs. Given the absence of any meaningful competition, the Panel believes that continued progress on Royal Mail's efficiency is vital - so that cost management and reduction can link directly to sustaining the universal service at an affordable price. We hope that this link is fully considered in any review of the postal regulatory framework. The universal service must be affordable for all who choose - or need - to use it, including people on lower incomes and those who live or work in harder to reach addresses, such as remote rural locations or high-rise tower blocks.

The CMR reports that older people send the most items of post per month. We note that the average number of items sent per month increases with age, with those aged 55+ sending an average of 7.9 items per month compared to 4.0 items each month among those aged 16-34. The incidence of sending personal mail also increases by age, with 81% of those aged 55+ sending this type of post compared to 63% of 16-34s.

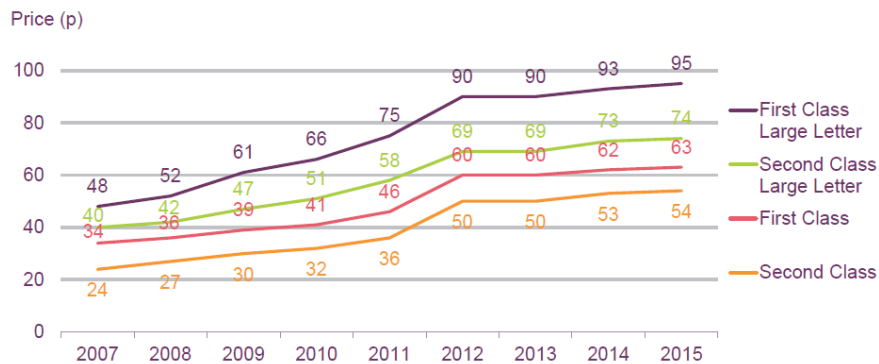
Email is the most common replacement for post across all age groups. Almost eight in ten (77%) 16-34s who are sending less post than two years ago claim to have replaced post with email. However this is not an option for all consumers and citizens, some of whom do not have access to the internet through lack of skills or training, affordability, or connectivity issues. For example, the latest Office for National Statistics 'Internet Access report - Households and Individuals 2015'³ - found that 32% of adults aged 65 and over had never gone online. We believe it is particularly important therefore that all consumers and citizens continue to have access to an affordable, reliable and universal postal service and that those who either can't, or choose not to, access the internet are not penalised as a result. It also of note that older people, who are less likely than the general population to be online, are also more likely to live in rural areas - the DEFRA/ILCUK [2013 Rural Ageing Research Summary Report of Findings](#) noted that, compared to the general population, proportionately more people aged 65+ live in rural areas than in urban areas. Rural infrastructure issues can also impact on broadband speed/mobile data coverage for those that are online.

The CMR reports that all stamp prices for letters went up in April 2015. First Class standard, Second Class standard and Large Letter all went up by 1p. To send a First Class letter now costs 63p. The price for a First Class Large Letter went up by 2p to 95p. Since the significant price increases in April 2012, and unadjusted for inflation, the price for a First Class stamp has risen by 5%, and sending a Second Class letter is 8% more expensive. The chart below illustrates the increases.

² http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr15/UK_6.pdf

³ http://www.ons.gov.uk/ons/dcp171778_412758.pdf

Figure 6.19 First and Second Class single-piece stamp prices



Source: Royal Mail. Figures are nominal. Prices refer to Royal Mail First and Second Class Standard and Large Letter list prices for letters up to 100g.

We also note that the parcels market is growing. Only one in ten consumers consider that the specific operator that delivers their parcel is an important factor in choosing a retailer. Forty-five per cent of consumers have not ordered on a specific occasion because of a concern about delivery. This is a particular issue for consumers in Northern Ireland and the CMR suggests that this may be because some retailers use delivery providers that charge a surcharge for delivering to Northern Ireland. The price of delivery is the most common issue that prevents ordering. Although consumers like to have flexible and tracked delivery of their online retail goods, the majority are not prepared to pay more for them.

The Consumer Futures 2013 report, [Signed, sealed... delivered? Research into parcel delivery issues in remote locations](#) found evidence across England, Wales and Northern Ireland that some consumers experience problems with their parcel deliveries. Specifically, online shoppers living in remote and island areas are significantly more likely than those in rural and urban areas to have experienced a range of delivery issues both during and after online shopping, including higher cost for delivery, longer delivery times and no deliveries. They are also significantly more likely to have paid for a premium delivery service that they did not then receive. In particular, shoppers on the Isle of Wight and Scilly Isles are significantly more likely to have experienced these issues than those on Anglesey, which has strong connections to mainland Wales. Additionally, shoppers in Northern Ireland are significantly more likely than those in mainland England and Wales to have experienced all of these issues.

The research found that shoppers across rural, remote and island communities are significantly more likely than those in urban areas to say that they see online shopping as essential because they do not feel they have much choice in the local shops where they live. This means that those consumers who feel most dependent on online shopping are the most likely to experience delivery issues both when shopping, and after they complete their orders.

The Citizens Advice Scotland Sept 2015 report, [The Postcode Penalty: The Distance Travelled](#) revisited research from 2012 and found that while fewer online retailers impose



surcharges for delivery to the Highlands and Islands, those who do impose a surcharge actually charge more than they did three years ago. Scots in the Highlands now pay 17.6% more than in 2012 and those in the Islands pay 15.8% more.

The recent Consumer Council NI report [The Online Parcel Premium](#) also refers to the Millward Brown Ulster - Annual Mail and Post Office Satisfaction Survey (2014) for Consumer Futures (Post) NI which found that 39% of customers surveyed had abandoned an online purchase because of delivery restrictions or having to pay more for delivery. The Consumer Council NI highlight that 33% of online retailers have delivery exclusions for NI and only 50% of online retailers offer the same price for delivery for NI and GB customers.

Finally, the CMR highlights the fact that business mail makes up 48% of the letters sector by revenue. We would like to draw attention to the impact of postal charges on micro businesses, which need to complete the same types of transactions as larger businesses, but may not have the choices, resources or bargaining power of their larger competitors.

However, without any end-to-end competition of significant scale for letters, and with limited competition in access provision, we believe that it is vital that consumers are protected by regulation - especially from disproportionate price rises - and that they receive a sustainably high quality of service. We note that Ofcom is currently conducting a Competition Act investigation into the proposed changes in the market since Whistl's withdrawal and is also conducting a review of access pricing terms and conditions and welcome this action on behalf of consumers and citizens.

In summary, the Panel believes that:

- Affordability is a key issue.
- Any changes to the overall postal regulatory framework must ensure that a reliable universal service is secured and sustained.
- Continued efficiency improvements by Royal Mail are a vital part of the equation, especially in a market with little or no meaningful competition.