

Consultation: Ofcom's plan of work 2024/ 2025

Citizens Advice submission



9 February 2024

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Citizens Advice response to Ofcom's work plan

Postal services continue to be an essential part of our communication network

Letters are an important part of the UK's national communications infrastructure. Many organisations still communicate primarily or only by post. Therefore, consumers receive lots of important letters, including hospital appointments, benefits decisions and court proceedings. 4 in 10 have received a letter from the government by post in the last 6 months.¹

Half of people across Great Britain sent a letter in the last month and 7 in 10 received a letter in the last month.² When the postal service doesn't work well, there can be severe issues. 7.3 million people experienced negative consequences as a result of post delays, such as missing health appointments, bills or fines.³ The impact of these delays doesn't fall proportionately across the population, with people of colour nearly twice as likely (23%) to experience negative consequences as a result of letter delays compared to white respondents (13%). Similarly, 21% of disabled people experienced negative consequences as a result of letter delays, compared to 13% of non-disabled people.⁴

While almost everyone uses post to some extent, people who are digitally excluded or have low digital skills are more likely to rely on post for essential services. As we set out in our response to the 2nd class safeguard consultation, age isn't the only determinant of digital exclusion. 1 in 5 adults can't complete basic digital tasks, like using a mouse or search engine.⁵ 5 million workers will be

¹ Walnut Unlimited carried out an online survey of 4007 adults in the UK from 25th May to 5th June 2023.

² Yonder Data Solutions carried out a CATI survey of 2000 adults in Great Britain from 14th February - 8th March 2023.

³ Citizens Advice, [Royal Mail delays hit an estimated 15.7 million people in the last month](#), 30 June 2023.

⁴ Citizens Advice, [Royal Mail delays hit an estimated 15.7 million people in the last month](#), 30 June 2023.

⁵ Citizens Advice, [Review of the second class safeguard caps 2024](#), September 2023.

acutely under-skilled in basic digital tasks in 2030, according to the Lords Communications and Digital Committee.⁶ And 19 million said the rising cost of living impacted their ability to use the internet.⁷ This was much more likely to affect younger people.

Reliable and affordable postal services are a lifeline for the millions of people who have limited digital skills or poor internet access. For these consumers, and the population in general, Ofcom should make sure postal services work as well as possible.

We welcome Ofcom placing consumer outcomes at the heart of its work plan - but postal services need more attention

We're generally supportive of Ofcom's consumer outcome-based approach. Pages 9-23 set out priority outcomes for most markets Ofcom regulate and how they should feel for consumers. For example, under "Internet we can rely on" the draft plan says "Consumers are confident and able to engage and make choices in the market to get the right services for them" and "Consumers are able to access services which are affordable". This paints a clear picture of what consumers should expect of their broadband provider.

But postal services are featured on only 1 out of 15 pages on Ofcom's priority outcomes. Postal services has neither an overall outcome nor a sub-outcome. We're disappointed that postal services are not a greater focus of the work plan, given ongoing and deep-seated issues with quality of service and affordability.

Ofcom's postal work is too focused on competition, not people

Ofcom states in its work plan that its principal duty is to:

*"[F]urther the interests of citizens and consumers in relation to communications matters, **where appropriate** by promoting competition."*
(emphasis added).

We don't think the regulator currently has this balance right for postal services. It should be:

⁶ Communications and Digital Committee, [Digital exclusion, 3rd Report of Session 2022-23](#), 2023,

⁷ Lloyds Bank, [UK Consumer Digital Index](#), 2023.

- More focused on securing positive outcomes for postal consumers. Ofcom should prevent harm from occurring in the first place, rather than looking to fix problems after something has gone wrong.
- More proactive and agile in its regulatory approach to meet the challenges of a rapidly evolving market.

It should use its powers to provide a safety net for consumers, while still allowing businesses to thrive.

Ofcom's proposed projects

Monitoring the postal market and Royal Mail's performance

1) Parcels market

Citizens Advice supports Ofcom monitoring the impact of new guidance and obligations in the parcels market for the handling of complaints and treatment of disabled consumers. But we want Ofcom to go further with complaints data, review the high rate of delivery problems and focus on sustainability. We set this out below.

The growth of e-commerce has seen the parcels market evolve into a pillar of modern retail. And the pandemic accelerated this trend. Over 2 in 3 (67%) people sent or received a parcel in the past month.⁸

Our research shows this market isn't working for everyone. Consumers with accessibility needs disproportionately experience delivery problems and are more severely affected.⁹ The new condition should be beneficial because it will provide a framework for operators to better meet disabled consumers' needs for parcel delivery.

13 million people faced a delivery problem with the latest parcel they received in the last month.¹⁰ And when consumers want to complain, they can face even

⁸ Yonder Data Solutions carried out a CATI survey of 2000 adults in Great Britain from 14th February - 8th March 2023.

⁹ Citizens Advice, [The customer journey: disabled people's access to postal services](#), March 2018.

¹⁰ Citizens Advice, [Parcels league table](#), November 2023.

more challenges.¹¹ Those who experienced a further problem during the complaints process are also likely to be dissatisfied with the outcome. When people experience problems at such a high rate, it's important consumers can resolve their problems quickly and easily. Ofcom's new guidance should be beneficial for helping parcel companies improve their complaints processes.

We welcome further detail from Ofcom on its plans to monitor companies' progress through research and data sharing. However, Ofcom could go further by encouraging parcel companies to share their data with consumer bodies and the public. It should carefully consider the threshold for enforcement action to make sure it acts swiftly and decisively.

In addition, we've consistently found high rates of delivery problems across our research. Our third parcels league table found persistent issues relating to parcels being left in insecure locations, arriving late or drivers leaving before people have had a chance to get to the door.¹² Ofcom should conduct a review of the rate of parcel delivery problems. And it should introduce new guidance to encourage parcel carriers to reduce the number of issues.

Finally, it is disappointing there are no projects on sustainability in the parcel sector. In our parcels league table, we found a lot of variation between parcel operators on emission rates per parcel. We note there were 33 mentions of "environmental" in Ofcom's USO discussion paper.¹³ If Ofcom considered environmental issues as part of the USO review, it would be helpful to see a consistent approach across all postal markets.

2a) Royal Mail: Quality of Service

Ofcom should take more steps to enforce certainty and reliability in the postal system. Quality of service targets are a crucial regulatory safeguard that should help ensure consumers get their post on time. But these targets must be backed up by vigilant monitoring and, where appropriate, by enforcement action.

¹¹ Citizens Advice, [Parcels league table](#), November 2023.

¹² Citizens Advice, [Parcels league table](#), November 2023.

¹³ Ofcom, [The future of the universal postal service](#), January 2024.

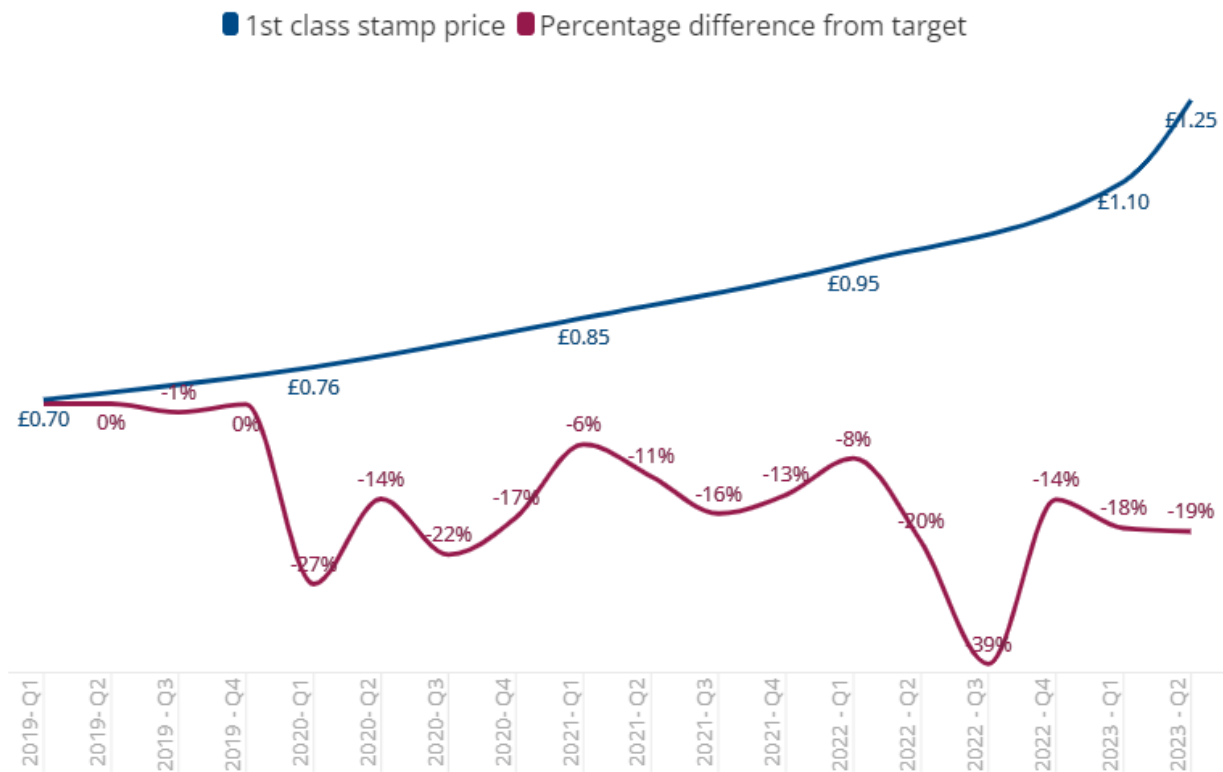
Millions have been hit by letter delays over recent years. And the impact of these delays don't fall evenly. People with protected characteristics are more likely to be saddled with negative consequences from letter delays.¹⁴ Given how important quality of service is for consumers, the QoS regulatory regime must incentivise good performance in a monopolistic market. But the £5.6m fine for Royal Mail equates to just 0.05% of the Royal Mail group revenue for the year ending 2023.¹⁵

Quality of service issues have continued to plague consumers this financial year. If Royal Mail fails to meet its USO quality of service targets for 2023/24, then it will have missed its targets 5 out of 6 years in a row. During this time of poor quality of service, Royal Mail increased stamp prices and left consumers paying more for less.

¹⁴ Citizens Advice, Royal Mail delays hit an estimated 15.7 million people in the last month, 30 June 2023.

¹⁵ Citizens Advice, [The future of the Universal Service Obligation](#), November 2023.

Figure 1: First class stamp price against first class delivery target¹⁶



Royal Mail target is to deliver 93% of First Class mail within one working day of collection



Citizens Advice previously raised the need for more transparency to improve the quality of service regime.¹⁷ We called out the unsatisfactory current monitoring regime where Ofcom doesn't investigate quality of service issues until the end of the financial year. In January 2023 we published research on serious letter delays over the festive period.¹⁸ Yet Ofcom didn't conclude its investigation until November 2023 - 11 months after consumers were hit by delays. This delay is not good enough for consumers.

Effective regulatory enforcement is the only way of holding Royal Mail to account in a monopolistic market. We encourage Ofcom to review whether the current quality of service regime delivers satisfactory outcomes for consumers.

¹⁶ Royal Mail, [Quality of Service Reports](#), 2019-2023.

¹⁷ Citizens Advice, [The future of the Universal Service Obligation](#), November 2023.

¹⁸ Citizens Advice, [Royal Mail letter delays blight Christmas for third year running](#), January 2023.

2b) Royal Mail: Digital exclusion penalty on USO postal products

We highlighted the development of a 2-tier USO because of a digital exclusion penalty in our consultation response and addendum to the 2nd class safeguard consultation.¹⁹

People who buy USO postage in person (e.g. at a post office) are charged more than people who can access cheaper prices online. Those digitally excluded consumers end up paying more for something which *should* be a universal service. For example, 2kg 2nd class medium parcels are now 22% more expensive if they are purchased in person.

Until October 2023, this has only been an issue in the parcels market. But the latest price increases - announced on the day that the consultation closed - mean letter consumers are hit by this price differential too.

The United Kingdom was the first country in the world to adopt a 'one-price-goes-anywhere' stamp, the Penny Black. This differential letter pricing breaks with a nearly 200 year long tradition. We don't support this increase in differential pricing because it penalises people that are digitally excluded.

The latest changes are also indicative of Royal Mail's significant market power in the lower weight large letter categories, where most of the price increases are concentrated. This is a part of the market where consumers have no option to shop around for a better price.

In its 2022 statement Ofcom said:

We note however that the size of online discounts has been increasing in recent years, and that this may have implications for customers who do not have easy access to the internet at home. Fair and affordable prices for those customers who cannot easily buy their stamps online is an important consideration.

¹⁹ Citizens Advice, Review of the second class safeguard caps 2024 and Addendum September 2023.

We will however monitor online and offline USO pricing in future and the size of the differential, as part of our work to ensure that USO services are affordable for customers.²⁰

This statement was published in July 2022. Yet neither the 2021/22 nor the 2022/23 annual post monitoring reports appear to mention the issue.

Ofcom should a) update on its promise from nearly 2 years ago to monitor this development and b) review how this digital exclusion penalty affects consumers who rely on post.

2c) Royal Mail: USO reform

Given that Royal Mail has failed to meet quality of service targets for almost half a decade, it's clear the USO isn't working as a safeguard for consumers. Any changes to this legal protection must prioritise consumers, not Royal Mail's bottom line.

Ofcom has modelled cutting Royal Mail's letter delivery service from 6 days to 5, or even 3, a week. But this won't automatically make letter deliveries more reliable. Ofcom's proposals should focus on resolving the root causes of Royal Mail delays. And these proposals should explain how USO changes will improve consumers' experience.

Affordability of communications services

We support work in this area but we remain disappointed that Ofcom's regular affordability tracker doesn't include postal services at all. This is a missed opportunity for Ofcom to connect the common issues people face across communications markets. For example, it would be valuable to understand whether people who have cut back on telecoms then rely more on postal services. We called for a more joined-up approach within Ofcom in our response to the 2nd class safeguard review.

We recommend that Ofcom specifically includes postal services in its work relating to the 'Affordability of communications services.'

²⁰ Ofcom, 2022 [Review of Postal Regulation](#), 18 July 2022, page 127.

Supporting vulnerable customers

Whilst we support work in this area, we're disappointed that Ofcom's project on 'Supporting vulnerable customers' appears to exclude postal services. This is especially concerning because we know that digital exclusion is concentrated among people in vulnerable circumstances. And people experiencing digital exclusion are more likely to rely heavily on post. This is another missed opportunity for Ofcom to connect the common issues people face across communications markets.

We recommend that Ofcom specifically includes postal services in its work relating to 'Supporting vulnerable customers.' This might allow Ofcom to include postal services in the UK Regulators Network scorecard to bring transparency for postal consumers. Citizens Advice would have valuable insight to feed into this workstream - especially in relation to post exclusion and the treatment of people in vulnerable circumstances in the parcels market.

Conclusion

Citizens Advice welcomes this opportunity to respond to Ofcom's proposed plan of work for 2024/25. We're responding in the capacity of our role as the statutory advocate for postal consumers in England and Wales.

Overall, we're supportive of Ofcom's consumer outcome-based approach. But we would like to see more of a focus on taking action to ensure postal services are universal, affordable, consistent and fair.

In the proposed plan of work, post doesn't receive the scrutiny it deserves. Postal services are a vital channel of communication with government, utilities, health and legal services - especially among vulnerable groups. It also allows millions of consumers and small businesses to access the online shopping market. We encourage Ofcom to take onboard our feedback regarding parcels, Royal Mail quality of service, digital exclusion penalty, USO changes, 'Affordability of communication services' and 'Supporting vulnerable customers.'

Citizens Advice values the open and collaborative relationship with the teams focusing on postal services at Ofcom. We hope to continue this in the year ahead.

Citizens Advice helps people find a way forward.

We provide free, confidential and independent advice to help people overcome their problems. We are a voice for our clients and consumers on the issues that matter to them.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.

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