

# Consultation: Ofcom's Plan of Work 2022/23

Citizens Advice submission

9 February 2022



## **About Citizens Advice**

Citizens Advice provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities.

In April 2014, the Citizens Advice service took on the powers of Consumer Futures to become the statutory consumer representative for the postal sector in England and Wales. Our role is to make sure postal services and post offices meet people's needs in a way that's fair and accessible for all. We have particular responsibilities for the interests of people at risk of disadvantage, detriment or harm. We also consider the interests of small businesses.

We're responding to this consultation in our capacity as the postal advocate.

# Citizens Advice response to Ofcom's work plan

- 1.1. Citizens Advice welcomes this opportunity to respond to Ofcom's proposed plan of work for 2022/23.
- 1.2. We are responding to this consultation in our capacity as the statutory consumer advocate in the postal sector.
- 1.3. Please note that we will set out our detailed thinking on how to improve outcomes for postal consumers in our response to Ofcom's review of postal regulations on March 3rd 2022.<sup>1</sup>

## Postal services are essential

### Letters help us access essential services and parcels are a critical pillar of modern retail

- 1.4. The pandemic has underscored the vital role that postal services continue to play in our society.
- 1.5. We agree with Ofcom that letters are crucial in facilitating access to essential services.<sup>2</sup> They also allow people to keep in touch with loved ones. Letters aren't just important to people that send a lot of post themselves. It's also a crucial part of our communications network because organisations often communicate with people by post. In fact, 2 in 3 (64%) people told us that they receive some communication from healthcare services by post only.<sup>3,4</sup>
- 1.6. Meanwhile, the growth of e-commerce has seen the parcels market evolve into a critical pillar of modern retail. The pandemic has accelerated and consolidated this trend, with 1 in 2 postal customers (48%) now receiving at least 1 parcel a week.<sup>5</sup>

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<sup>1</sup> Citizens Advice, Response to Ofcom's consultation on postal regulation, forthcoming.

<sup>2</sup> Ofcom, [Consultation: Ofcom's Plan of Work 2022/23](#), paragraph 2.10.

<sup>3</sup> Citizens Advice, [Millions Without Mail](#), 24 September 2020, p.6.

<sup>4</sup> Citizens Advice, Response to Ofcom's consultation on postal regulation, forthcoming.

<sup>5</sup> Online survey of 4,043 18+ UK adults, Savanta ComRes, 1 Apr - 7 Apr 2021.

## **We welcome Ofcom placing consumer outcomes at the heart of its work plan - but postal services is missing from this approach**

- 1.7. We're supportive of Ofcom's consumer outcome based approach.<sup>6</sup> We have previously recommended a consumer outcome focused, rules based approach.<sup>7</sup>
- 1.8. However, we're disappointed that there isn't a desired outcome for postal services in Ofcom's work plan.<sup>8</sup>
- 1.9. We recommend that Ofcom includes a desired outcome for postal services. This desired outcome should focus on making sure that postal services are universal, affordable, consistent and fair.<sup>9</sup> This is important for both residential and business consumers.
- 1.10. This desired outcome will help the regulator elevate its postal work from passive to active monitoring. It will help Ofcom set clear metrics for when it will investigate issues and take action to improve outcomes for postal consumers. It will also help Ofcom bring its postal services regulation into step with its approach in the other markets it regulates, where the regulator has already adopted an outcomes focused approach.

## **Ofcom should have a greater focus on post in its work plan**

- 1.11. It appears that only 2 of the 71 proposed projects focus on postal services.<sup>10</sup> That means only 3% of proposed projects relate to the whole of the postal market the Ofcom regulates.
- 1.12. We propose below that Ofcom should include postal services in more of its existing work. We also propose a new project in Ofcom's work plan relating specifically to affordability issues in postal services.

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<sup>6</sup> Ofcom, [Consultation: Ofcom's Plan of Work 2022/23](#), page 3.

<sup>7</sup> Citizens Advice, [Ofcom's call for inputs: review of postal regulation](#), Citizens Advice submission, May 2021. See especially chapter 1.

<sup>8</sup> The table in Ofcom's workplan paragraph 4.3 only mentions postal services under monitoring.

<sup>9</sup> Citizens Advice, [Ofcom's call for inputs: review of postal regulation](#), Citizens Advice submission, May 2021. See especially pp. 6-8.

<sup>10</sup> Ofcom, [Consultation: Ofcom's Plan of Work 2022/23](#), Annexe 2.

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

- 1.13. Ofcom states in its work plan that its principal duty is to:
- "[F]urther the interests of citizens in relation to communications matters and of consumers in relevant markets, **where appropriate** by promoting competition."* (emphasis added).<sup>11</sup>
- 1.14. We don't think the regulator currently has got this balance right for postal services.<sup>12</sup> It should be:
- More focused on securing positive outcomes for postal consumers. Ofcom should prevent harm from occurring in the first place, rather than fixing problems after something has gone wrong.
  - More proactive and agile in its regulatory approach to meet the challenges of a rapidly evolving market.
- 1.15. It should use its powers to provide a safety net for consumers, while still allowing businesses to thrive.

## Ofcom's proposed projects

- 1.16. We welcome this opportunity to provide comments on Ofcom's planned work.

### Existing projects:

#### *Monitoring the postal market and Royal Mail's performance*

- 1.17. It's crucial that Ofcom continues to ground its approach in evidence. Ofcom has a "duty to further the interests of citizens and consumers, including by having regard to (amongst other things) the opinions of consumers in relevant markets and of members of the public generally".<sup>13</sup>

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<sup>11</sup> Ofcom, [Consultation: Ofcom's Plan of Work 2022/23](#), paragraph 2.1.

<sup>12</sup> Citizens Advice, [Ofcom's call for inputs: review of postal regulation](#), Citizens Advice submission, May 2021. See especially chapter 1.

<sup>13</sup> Ofcom, [Consultation: Review of postal regulation](#), paragraph 5.109.

- 1.18. Citizens Advice supports Ofcom's postal trackers<sup>14</sup> and its ongoing monitoring of the postal market. We also support the regulator in all the extra research it has carried out in relation to the 2022 review<sup>15</sup>.
- 1.19. We support Ofcom's continued monitoring of Royal Mail's quality of service. Consumers want - and need - a high degree of certainty, reliability and simplicity in the postal market. Having in place stretching and ambitious quality of service targets are a crucial regulatory safeguard that helps ensure consumers get their post on time. These targets must be backed up by vigilant monitoring and, if appropriate, by enforcement action. But Ofcom must back up these targets with active, rather than passive, monitoring. And it should set clear metrics for when it will investigate issues and take action to improve outcomes for postal consumers.
- 1.20. It was welcome to see the regulator's update statement on the substantial postal delays earlier in 2022.<sup>16</sup> It can be very frustrating for consumers to wait days or weeks for their mail. We support the regulator in making it clear to consumers what Ofcom's role is and how it can take action if Royal Mail fails to meet its quality of service targets.
- 1.21. Monitoring is an important part of Ofcom's duty in postal services. However, this monitoring would be a lot more useful in helping Ofcom secure positive outcomes for postal consumers if the regulator was more agile and active. As we set out in May 2021, Ofcom should be a lot more swift to take action when it finds problems.<sup>17</sup> In particular, Citizens Advice is concerned about Ofcom's lack of action around affordability issues in the postal sector (see our proposal below).

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<sup>14</sup> Ofcom, [Statistical release calendar 2022](#).

<sup>15</sup> Ofcom, [Consultation: Review of postal regulation, Supporting Documents](#).

<sup>16</sup> Ofcom, [Update on Royal Mail delivery delays](#), 19 January 2022.

<sup>17</sup> Citizens Advice, [Ofcom's call for inputs: review of postal regulation, Citizens Advice submission](#), May 2021. See especially chapter 1.

### ***Review of the future regulatory framework for post***

- 1.22. We support this area of work.
- 1.23. Overall, the proposals set out with regard to letters and parcels regulation in the review are a positive and welcome step in the right direction. However, the regulator could and should go further. We will detail our thinking in our response on 3rd March.<sup>18</sup>

### ***Affordability of communications services***

- 1.24. Whilst we support work in this area, we're disappointed that Ofcom's Covid-19 Affordability Tracker doesn't include postal services at all.<sup>19</sup> This is a missed opportunity where Ofcom could join up the common issues people face across communications markets.
- 1.25. We recommend that Ofcom specifically brings in postal services in its work relating to its 'Affordability of communications services' work.
- 1.26. See also our proposal below about affordability in postal services specifically.

### ***Supporting vulnerable customers***

- 1.27. 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 a missed opportunity where Ofcom could join up the common issues people face across communications markets.
- 1.28. We recommend that Ofcom specifically brings in postal services in its work relating to its 'Supporting vulnerable customers' work.

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<sup>18</sup> Citizens Advice, Response to Ofcom's consultation on postal regulation, forthcoming.

<sup>19</sup> Ofcom, Statistical release calendar 2022, [Covid-19 Affordability Tracker](#), 25 Jan 2022.

## ***Sustainability and climate change***

- 1.29. We look forward to hearing from Ofcom how it will work with companies in the postal sector to consider how they can contribute towards meeting the UK's net-zero carbon target.<sup>20</sup>
- 1.30. We know that many consumers would like to see the parcels market become more environmentally friendly. Half (49%) of consumers agree that the environmental sustainability of parcel deliveries is important to them.<sup>21</sup> A third (35%) would be willing to pay extra to have parcels delivered with less or zero emissions.<sup>22</sup>
- 1.31. We encourage the regulator to explore whether it could do more to promote Pick-Up and Drop-Off (PUDO) points as an environmentally sustainable lever.

## **Ofcom's postal work would benefit from including a new project specifically related to affordability issues in post**

### ***Affordability of postal services***

- 1.32. A growing proportion of people can't afford to buy postage stamps without giving up essentials like food or heating. Similarly, a growing proportion have to forgo the value of communication to be able to afford essentials.<sup>23</sup> Citizens Advice will be including evidence on affordability issues for postal consumers in our response to Ofcom's consultation about postal regulation on 3rd March 2022.<sup>24</sup>
- 1.33. In its consultation of postal regulation, Ofcom states that it uses the following affordability test:

*"Specifically, we consider that postal services might be unaffordable for consumers where:*

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<sup>20</sup> Ofcom, [Consultation: Ofcom's Plan of Work 2022/23](#), paragraph 1.6.

<sup>21</sup> Citizens Advice, [Ofcom's call for inputs: review of postal regulation](#), Citizens Advice submission, May 2021, paragraph 6.22.

<sup>22</sup> Citizens Advice, [Ofcom's call for inputs: review of postal regulation](#), Citizens Advice submission, May 2021, paragraph 6.22.

<sup>23</sup> Ofcom, [Residential Postal Tracker](#), QF1, various years; Citizens Advice, [Ofcom's call for inputs: review of postal regulation](#), Citizens Advice submission, May 2021, Chapter 2.

<sup>24</sup> Citizens Advice, Response to Ofcom's consultation on postal regulation, forthcoming.



*i) consumers reduce their purchases of postal services due to the price; and/or  
ii) consumers continue to buy postal services but must cut back on other 'essential' expenditure.”<sup>25</sup>*

- 1.34. Ofcom’s own research shows that postal services are unaffordable for a growing number of people.<sup>26</sup> Citizens Advice’s research has found that 4 in 10 (42%) consumers think the cost of sending letters or parcels is unaffordable.<sup>27</sup>
- 1.35. The postal services market currently has a disproportionate negative impact on those who are already at increased risk of disadvantage, detriment or harm such as disabled people or those with caring responsibilities.<sup>28</sup>
- 1.36. Given the range of issues our research has uncovered, Ofcom needs to take a more joined-up approach to looking at affordability across postal services, to make sure that nobody is falling through the cracks.
- 1.37. This is a noticeable missing project in the regulator’s work plan. Last time Ofcom reviewed affordability in postal services was 9 years ago.<sup>29</sup>
- 1.38. This is particularly timely with the current cost of living crisis. As Ofcom notes, people are facing higher bills this year.<sup>30</sup> We expect this will lead to even more people cutting back on essentials to afford postage, and even more people forgoing the value of postal communication because they can’t afford it.
- 1.39. We strongly encourage Ofcom to include a project dedicated specifically to affordability issues for postal consumers.

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<sup>25</sup> Ofcom, [Consultation: Review of postal regulation](#), paragraph 5.62.

<sup>26</sup> Ofcom, [Residential Postal Tracker](#), QF1, various years.

<sup>27</sup> Citizens Advice, [Ofcom’s call for inputs: review of postal regulation, Citizens Advice submission](#), May 2021, paragraph 2.8.

<sup>28</sup> Citizens Advice, [Ofcom’s call for inputs: review of postal regulation, Citizens Advice submission](#), May 2021, Chapter 2.

<sup>29</sup> Ofcom, [The Affordability of Universal Postal Services](#), 19 March 2013.

<sup>30</sup> Ofcom, [Consultation: Ofcom’s Plan of Work 2022/23](#), paragraph 1.3.

## Conclusion

- 1.40. Citizens Advice welcomes this opportunity to respond to Ofcom's proposed plan of work for 2022/23. We're responding in the capacity of our role as the statutory consumer advocate in the postal sector.
- 1.41. *Please note that we will set out our detailed thinking on how to improve outcomes for postal consumers in our response to Ofcom's review of postal regulations on March 3rd.*<sup>31</sup>
- 1.42. Overall, we're supportive of Ofcom's consumer outcome based approach.<sup>32</sup> However, we're disappointed that there isn't a desired outcome for postal services in Ofcom's work plan.<sup>33</sup> We recommend that Ofcom includes a desired outcome for postal services. This will help the regulator elevate its postal work from passive to active monitoring, with clear metrics for when it will investigate issues and take action to improve outcomes for postal consumers.
- 1.43. Similarly, we encourage Ofcom to specifically bring in postal services in its projects relating to 'Affordability of communications services', 'Supporting vulnerable customers' and 'Sustainability and climate change'.
- 1.44. We're broadly supportive of Ofcom's work relating to 'Monitoring the postal market and Royal Mail's performance' and 'Review of the future regulatory framework for post'. However, Ofcom should elevate its postal work from passive to active monitoring, with clear metrics for when it will investigate issues and take action to improve outcomes for postal consumers. Separate to this consultation we'll be responding to the review of postal regulation and give our specific recommendations there.
- 1.45. Finally, it's our assessment that Ofcom is currently missing a work project on affordability issues in the postal market. We strongly encourage Ofcom to include a project dedicated specifically to affordability issues for postal consumers. Again, we will provide our

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<sup>31</sup> Citizens Advice, Response to Ofcom's consultation on postal regulation, forthcoming.

<sup>32</sup> Ofcom, [Consultation: Ofcom's Plan of Work 2022/23](#), page 3.

<sup>33</sup> The table in Ofcom's workplan paragraph 4.3 only mentions postal services under monitoring.

evidence in Ofcom's review of postal regulation. But Ofcom already knows that 1 in 10 have to cut back on absolute essentials - like food or heating - to afford postage stamps.<sup>34</sup>

- 1.46. Citizens Advice values the open and collaborative relationship with the teams focusing on postal services at Ofcom. We hope to continue to work together to make sure consumer interests are at the heart of future regulatory reforms.

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<sup>34</sup> Ofcom, [Residential Postal Tracker - July 2020 to June 2021](#), QF1\_2, 6 September 2021.