

Final

Ofcom Proposed Annual Plan 2016/7

BBC Licence Fee Unit Submission

1.1 Executive Summary

- We welcome and support Ofcom's goals focused on the promotion of competition, to secure standards and improve quality within the UK postal market.
- Therefore it is incumbent on Ofcom to ensure it focuses its efforts on addressing how competition can effectively be promoted in the UK postal market
- We are concerned and have reservations on the work plan for 2016/17. The plan shows only **Reporting on the UK communications market** as a work stream to address the issue of promoting competition in the postal market.
- This does not appear to be sufficient resource or focus on such a fundamental aspect of the UK postal market
- Consideration should be given to exploring whether the proposed work streams "Reporting on the UK communications market" and "Reviewing the regulation of Royal Mail", will give sufficient actionable outputs, which can be utilised to effectively promote competition.
- The key work stream for securing standards and improving quality is **Reviewing the regulation of Royal Mail**
- Although we fully support Ofcom in this review and the urgent need for the review, there must be an opportunity to use the review both in terms of its findings and outputs to help shape and promote effective competition within the UK postal market

2.1 Introduction

2.1.1 The BBC Licence Fee Unit welcomes the opportunity to submit evidence to the Ofcom's Draft Annual Plan 2016/17.

2.1.2 The BBC contracts with a number of companies to administer the television licensing system (together with the BBC Licence Fee Unit Management Team these companies are known publicly as TV Licensing). The BBC Licence Fee Unit sits within the BBC Finance and Business Division, and ultimately reports to the BBC Executive Board. The BBC is governed by the BBC Trust which represents the interests of licence fee payers and approves the overall strategy.

2.1.3 TV Licensing inform people of the need to buy a TV licence. TV Licensing send licence renewal letters and we process queries, applications and payments. TV Licensing also maintain a database of licensed and unlicensed addresses in the UK and use this data to identify and visit people who are believed to be using a TV receiver without a valid licence.

2.1.4 The BBC Licence Fee Unit uses the UK postal system: Access and Royal Mail Retail, to communicate with consumers. The BBC Licence Fee Unit mails approximately 55m communications each year. This mail is classified as transactional mail.

2.1.5 The BBC Licence Fee Unit is obligated to drive efficiencies regarding postal costs to the business on behalf of all licence fee payers. The BBC Licence Fee Unit constantly seek to evidence commitment to reducing costs and to continuously evaluate and deliver value to the British public.

3.1 Issues raised in Ofcom's Draft Annual Plan 2016/17 – BBC Licence Fee Unit response

1. Ofcom goals and highlights for 2016/17

- **Promote competition and ensure that markets work effectively for consumers**
- **Secure standards and improve quality**

We welcome and support Ofcom's goals focused on the promotion of competition, secure standards and improved quality in the UK postal market

- The development of competition within the UK postal market has been driven by downstream access. It has allowed mailers to access lower wholesale prices in comparison with Royal Mail retail prices but the underlying problem remains that true and effective competition to Royal Mail will only come from alternative e2e network development.
- The development of alternative e2e networks will bring sufficient downward pressure on Royal Mail to improve their efficiency and meet their own efficiency targets. The presence of alternative media such as e-mail and social media may impact volumes but has no impact or mechanic to impact efficiency.
- The existing regulatory structure was based on the assumption that alternative e2e competition would bring downward pressure on Royal Mail's operational costs, so driving operational efficiencies and downward pressure on prices.
- The demise of Whistl in the e2e market and the lack of any credible alternative e2e operators in the medium term removes this competitive pressure. Therefore the effectiveness of the regulatory structure needs to be considered, to ensure there is a competitive or proxy pressure on Royal Mail as the incumbent dominant postal operator.
- Therefore it is incumbent on Ofcom to ensure it focuses its efforts on addressing how competition can effectively be promoted in the UK market
- We are concerned and have reservations on the work plan for 2016/17. The plan shows only **Reporting on the UK communications market** as a work stream to address the issue of promoting competition in the postal market.
- This does not appear to be sufficient resource or focus on such a fundamental aspect of the UK postal market
- The key work stream for securing standards and improving quality is **Reviewing the regulation of Royal Mail**
- Although we fully support Ofcom in this review and the urgent need for the review, there must be an opportunity to use the review both in terms of its findings and outputs to help shape and promote effective competition within the UK postal market

2. Work plan for 2016/17: Promote competition and ensure that markets work effectively for consumers

We fully support Ofcom's objective to promote effective competition within the UK postal market.

- We are concerned and have reservations on the work plan for 2016/17, in particular the area "Promote competition and ensure that markets work effectively for consumers". The plan shows only Reporting on the UK communications market as a work stream to address the issue of promoting competition in the postal market.
- This does not appear to be sufficient resource or focus on such a fundamental aspect of the UK postal market
- Consideration should be given to exploring whether the proposed work streams "Reporting on the UK communications market" and "Reviewing the regulation of Royal Mail", (from the Secure standards and improve quality section), will give sufficient actionable outputs, which can be utilised to effectively promote competition.

3. Work plan for 2016/17: Secure standards and improve quality

We fully support Ofcom's objective to secure standards and improve quality within the UK postal market.

- The work stream "Reviewing the regulation of Royal Mail" is welcomed and we fully support it, however the review is also key to the promotion of effective competition and, as such, should be identified.