



Ofcom's response to proposals for Design Principles for the Regulated Industries Unit

Introduction

Ofcom is grateful for the opportunity to comment on the design principles for the Regulated Industries Unit.

Since the Department for Business Innovations and Skills (BIS) consulted on the consumer landscape in 2011, we have engaged with stakeholders in the sectors we regulate and more broadly with the aim of contributing to a landscape which will provide world class consumer advocacy and advice for consumers of services in the sectors we regulate, where appropriate drawing on work with cross-sectoral relevance.

The RIU is a critical component of this. It will provide the primary advocacy input to our work on post, a function it will inherit from Consumer Focus. We hope that RIU work will also be relevant to some of our work in electronic communications markets, and believe there is potential for this where RIU analysis provides insights on issues which cut across regulated industries. For advocacy to work well in this sector, it will be vital for the RIU to work collaboratively with the Communications Consumer Panel which provides sector specific advocacy and advice to Ofcom, government and other stakeholders.

We look forward to further engagement with Consumer Focus, Citizens Advice and BIS on the design and implementation of the RIU.

Broadly we endorse the approach set out in the design principles. We pick up on specific points below.

RIU scope

We recognise that the initial scope of the RIU is driven by the current scope of work in Consumer Focus which will leave behind a deep legacy of advocacy in the postal and energy sectors.

Other sectors

As noted in our introduction, we think the RIU has potential to add value in other sectors as well. This need not mean that those sectors are brought formally within the scope of the RIU. As the draft design principles make clear the RIU will aim to deliver benefits in sectors beyond its formal remit. There is good precedent for this, for example, current cross-sectoral work being undertaken by Consumer Focus on tariff simplification and price accreditation services. There are other issues on which sector regulators, consumers and other stakeholders would benefit from cross-sectoral insight. For example,

- models for redress and alternative dispute resolution,
- effective dissemination of information to consumers, and
- affordability, and management of consumer debt by regulated firms.



On the latter of these points the risk of exclusion for vulnerable consumers (not just for affordability reasons) is a cross cutting issue, and particularly important for regulated industries providing essential services. We think the RIU design principles and eventually its mission should explicitly reflect this.

We would also urge the RIU to engage on these issues with other cross sectoral fora, including the Joint Regulators Group

Postal regulation – Ofcom and the RIU

The RIU will be the leading consumer advocate for postal services, and hence its effectiveness is most important to Ofcom in the postal sector. The postal sector faces a number of deep seated challenges, and change in the sector in the next few years is inevitable. Strong consumer advocacy by a team who understand the unique features of the industry is therefore particularly important.

We believe the design principles set out in the draft are a good foundation for effective advocacy in the postal sector.

For example:

- The RIU must have expertise in the postal sector, and this should include the ability to understand possible future developments (where direct evidence is not available) and how this may impact consumers. RIU expertise must extend beyond the consumer interest and include understanding of the economics of the sector, the competitive landscape, and financial and commercial drivers of the industry.
- The RIU will need the means to gather evidence to support its work and to use its evidence effectively. Research will be important to this, but there will be an opportunity for it to make use of the synergy created by the consumer touch points which exist in the Citizens Advice network.
- RIU research should be an important source of evidence to support its own advocacy and also as an input to regulatory decision making, as research by Consumer Focus has been (for example, research on Royal Mail's Delivery to Neighbour proposal¹).
- The RIU should engage with Ofcom at every stage of policy development through open and frank dialogue. This will enable the RIU to be a 'critical' friend consumer advocate in Ofcom's work on postal services.
- The RIU will need to build, or build on, existing important relationships with other stakeholders in the sector, including with government and political stakeholders, and with industry.

¹ <http://www.consumerfocus.org.uk/publications/everybody-needs-good-neighbours-royal-mails-delivery-to-neighbour-trial>



The RIU and devolved administrations

As stated in the draft design principles, RIU stakeholder management will need to map to different consumer landscapes in each of England, Scotland, Wales and Northern Ireland.

The new landscape, with RIU as part of Citizen's Advice, may help with this in that it will create a single organisation covering a number of consumer functions. On the other hand, it will be challenging to ensure that the new structure retains the best of existing links and relationships in each nation because currently there are differences in the relationships between consumer organisations and their stakeholders between the nations. Bolting a 'one size fits all' model onto this creates risk that some valuable national variations will be lost.

It may be advantageous for the RIU to draw on the work and experience of Ofcom in working in devolved contexts. For example, as well as national offices in Glasgow, Cardiff and Belfast, we have Advisory Committees for each of the nations, whose role is to give advice to Ofcom on communications issues in that nation (for more, see <http://www.ofcom.org.uk/about/how-ofcom-is-run/committees/advisory-committees-for-the-nations/>).

Furthermore, Ofcom's research includes robust sample sizes in each of the nations, enabling us to highlight particular national differences which is very useful for Ofcom, and to a range of other stakeholders in their work. It will be necessary for the RIU to understand the perspective in each nation. Ofcom's experience has shown that there are a variety of ways in which this can be achieved, e.g. having a mix of colleagues from different nations contributing to projects, giving London-based colleagues the opportunity to participate in Ofcom events in the nations, and exposure of Ofcom teams to our National Advisory Committees.

This is an area which we think will need further consideration as the design phase progresses.

Ofcom
September 2012