

Cover sheet for response to an Ofcom consultation

BASIC DETAILS

Consultation title: Proposed Annual Plan 2017/8
To (Ofcom contact): Chris Rowsell
Name of respondent: David Robottom
Representing (self or organisation/s): BBC Licence Fee Unit
Address (if not received by email):

CONFIDENTIALITY

Please tick below what part of your response you consider is confidential, giving your reasons why

Nothing	<input type="checkbox"/>	Name/contact details/job title	<input type="checkbox"/>
Whole response	<input type="checkbox"/>	Organisation	<input type="checkbox"/>
Part of the response	<input type="checkbox"/>	If there is no separate annex, which parts?	

If you want part of your response, your name or your organisation not to be published, can Ofcom still publish a reference to the contents of your response (including, for any confidential parts, a general summary that does not disclose the specific information or enable you to be identified)?

DECLARATION

I confirm that the correspondence supplied with this cover sheet is a formal consultation response that Ofcom can publish. However, in supplying this response, I understand that Ofcom may need to publish all responses, including those which are marked as confidential, in order to meet legal obligations. If I have sent my response by email, Ofcom can disregard any standard e-mail text about not disclosing email contents and attachments.

Ofcom seeks to publish responses on receipt. If your response is non-confidential (in whole or in part), and you would prefer us to publish your response only once the consultation has ended, please tick here.

Name David Robottom

Signed (if hard copy)

Final

Ofcom Proposed Annual Plan 2017/8

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.
- The outputs from the fundamental review of the regulation of Royal Mail are vital in creating a regulatory framework which will facilitate effective competition.
- Post cost modelling: This work stream is welcomed and we would anticipate that it should lead to more transparent and fairer costing for downstream access operators and help facilitate effective competition.
- Regulatory financial reporting review: This work stream is welcomed and should lead to fairer and more transparent universal service costing.
- Reporting on the UK and International communications market: These work streams are welcomed as they ensure Ofcom is completely up-to-date with developments and can benchmark the UK market versus other international markets.
- Engaging with international stakeholders: We welcome Ofcom's continued engagement with key stakeholders such as ERGP (European Regulators Group for Post). Such engagement ensures Ofcom remains at the forefront of policy development within the postal field.

2.1 Introduction

2.1.1 The BBC Licence Fee Unit welcomes the opportunity to submit evidence to the Ofcom's Draft Annual Plan 2017/18.

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 2017/18 – BBC Licence Fee Unit response

1. Ofcom goals and highlights for 2017/18

- ***Promote competition and ensure that markets work effectively for consumers***

We welcome and support Ofcom's goals focused on the promotion of competition and ensuring that markets work effectively for consumers.

- There are a series of key issues which impact the development of effective competition.
 - 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 to long term removes this competitive pressure. Therefore the regulatory structure needs to ensure there is a competitive constraint or proxy constraint on Royal Mail through price control or efficiency targets.
 - The privatisation and new ownership of Royal Mail will bring pressure on Royal Mail to deliver profitable performance. If the efficiency programme is curtailed or restricted then it appears likely that profits will need to be delivered through increased prices.
- Therefore with Royal Mail: having less constraint in the letters market; no significant competitive constraint in the bulk letters market; likely to face significant increased labour costs and a lack of flexibility; facing shareholder pressure to deliver profits. The outputs from the fundamental review of the regulation of Royal Mail are vital in creating a regulatory framework which will facilitate effective competition.
- We welcome the additional work which will be carried out in the coming financial year implementing aspects of the fundamental review of the regulation of Royal Mail.

2. Work plan for 2017/18: 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.

- Post cost modelling: This work stream is welcomed and we would anticipate that a costing model to help develop Ofcom's own view of how Royal Mail allocates costs in its delivery network should lead to more transparent and fairer costing for downstream access operators and help facilitate effective competition.
- Regulatory financial reporting review: This work stream is welcomed and should lead to fairer and more transparent universal service costing.
- Reporting on the UK and International communications market: These work streams are welcomed as they ensure Ofcom is completely up-to-date with

Final

developments and can benchmark the UK market versus other international markets.

- Engaging with international stakeholders: We welcome Ofcom's continued engagement with key stakeholders such as ERGP (European Regulators Group for Post). Such engagement ensures Ofcom remains at the forefront of policy development within the postal field.