Ofcom now regulator of postal services

Ofcom took over regulation of postal services from Postcomm on 1 October 2011.

Royal Mail is currently regulated in the following ways:

- the prices of some universal service products, particularly the retail price of stamps;
- the prices that Royal Mail charges other postal operators, such as UK Mail, TNT and DHL, to deliver their sorted mail to businesses and residents; and
- meeting its universal service obligations and its Quality of Service targets.

Ofcom recently published proposals designed to ensure that UK consumers continue to benefit from a universally-priced, affordable postal service, six days a week. The proposals would give Royal Mail greater freedom in the way it sets some of its prices, but introduces safeguards to ensure that consumers and competition are protected.

Safeguarding the universal service and improving efficiency

The central aim of the proposals is to make the Universal Service Obligation (USO) placed on Royal Mail financially sustainable. The USO requires Royal Mail to collect and deliver letters six days a week (and packets five days a week) at an affordable and geographically uniform price to every address in the UK. The USO also sets performance standards on Royal Mail: 93% of First Class mail must arrive the next working day and 98.5% of Second Class mail must arrive within three working days of posting.

Why changes are needed

Although Royal Mail delivered 16 billion letters to around 28 million addresses last year, since 2006 there has been a 25% decline in postal volumes as customers have moved away from traditional mail to digital technology such as email. Mail volumes are expected to continue to decline globally by between 25% and 40% in the next five years as businesses and residential customers make increasing use of online services and email. While consumers and businesses rely on postal services, the average household spends around 40p per week on post, compared to around £10 per week on each of electricity, telephone and gas services.

Proposals to secure high quality UK postal services

The current regulatory model for post has failed to ensure the ongoing viability of the universal service. The huge changes affecting the industry – particularly the decline in postal volumes – call for a new approach to regulation. Ofcom therefore proposes to give Royal Mail freedom to set its own prices for the majority of its products including:

- First Class deliveries – letters, large letters (A4 in size and up to 750g in weight) and parcels;
- Second Class deliveries – for large letters and parcels up to 1Kg in weight;
- standard parcels;
- business mail – metered or franked mail and pre-printed envelopes; and
- bulk mail – mainly large businesses sending a large volume of post in a single mailing for example, bank statements.
Safeguards to protect consumers

Ofcom proposes a number of significant regulatory safeguards to help ensure that the universal service remains viable and to protect consumers. They include:

1. A cap on the price of Second Class stamps for standard letters

2. Effective monitoring of Royal Mail’s performance

3. Require Royal Mail to continue to provide network access to its competitors

Ofcom also proposes to assess on a case-by-case basis any interest expressed in providing so-called ‘end-to-end competition’ in the UK, where a postal operator receives the letter and delivers to an address without using Royal Mail’s network. Ofcom’s assessment will focus on the potential impact of such end to end competition on Royal Mail’s ability to continue to provide the universal service.

The proposed regulatory framework would apply for seven years. It would provide the freedom, time and certainty required to restore the viability of universal service and improve efficiency within Royal Mail.

Ofcom would retain the ability to intervene in the event that the new regime failed to safeguard the sustainability of the universal service and the affordability of mail services. Ofcom also proposes to leave open the possibility of reassessing the level of the pricing cap on Second Class stamps in two years, in light of any relevant changes in the market.

TalkTalk and Tiscali UK fined £3 million for breaching consumer rules

Ofcom has fined TalkTalk and Tiscali UK £3 million after they incorrectly billed tens of thousands of consumers for services they had not received.

Ofcom opened an investigation into TalkTalk and Tiscali UK in July 2010 following complaints from over 1,000 consumers. Ofcom found that both companies had wrongly issued bills to consumers for services they had not received, in particular to consumers who had closed their accounts. They did so in just over 62,000 cases between 1 January and 1 November 2010. Ofcom issued both with a legally-binding notification in November 2010 and set them a deadline of 2 December 2010 to take steps to sort out their billing problems.

However, while TalkTalk and Tiscali UK did take some important steps to comply with the rules, such as making changes to their customer records management systems, they still incorrectly billed almost 3,000 consumers between 2 December 2010 and 4 March 2011.

Ofcom therefore issued TalkTalk and Tiscali UK with a financial penalty to reflect the seriousness of their breach of the rules and to act as a deterrent to them and other telecoms companies who must comply with the rules.

Further details about the investigation can be found here.

Ofcom publishes latest telecoms complaints data

Ofcom published its latest complaints data revealing the most complained about major telecoms providers between April and June 2011.

Ofcom’s second report looking at telecoms complaints data, aims to provide useful information for consumers, and also to incentivise telecoms providers to improve their performance.

Complaints about telecoms providers

Ofcom considered ways in which it can make the report even more meaningful for consumers without losing the ability to compare providers on a like-for-like basis. The report now includes providers with a 4 per cent market share (the threshold applied in the initial report was 5 per cent) who generate at least 30 complaints in a month.

A consequence of this change is that Orange Home is included in the broadband section of the latest report and Virgin Mobile in the mobile section. The addition of these two providers means that the providers contained within the report cover at least 89 per cent of the fixed telephony, fixed broadband and mobile markets.

The number of complaints is published as a proportion of each provider’s customer base. This enables consumers to compare providers on a level playing field.

To find out which providers were the most complained about for the period April to June 2011, click here.
Ofcom banned rollover contracts: making it easier to change providers

Ofcom confirmed in September that rollover contracts, which tie landline and broadband customers into repeated minimum contract periods unless they opt out, will be banned from December this year.

The contracts, also known as Automatically Renewable Contracts (ARCs), roll forward to a new minimum contract period – with penalties for leaving – unless the customer actively opts out of the renewal. The ban will apply to ARCs for landline and broadband services sold to residential and small business customers.

BT is the largest communications provider currently offering these contracts and Ofcom estimates that approximately 15 per cent of UK residential consumers are on rollover contracts. Other residential providers include Adept Telecom, Axis Telecom, Eze Talk and iTalk, while TalkTalk Business, Titan Telecoms, and Optimum Calls offer ARCs to business users.

Removing rollover contracts from the market

Ofcom has set out a timetable for the removal of rollover contracts from the telecoms market which takes account of systems changes that will need to be made by communications providers.

The sale of new automatically renewable contracts to residential and small business customers will be prohibited from 31 December 2011.

Ofcom will also require communications providers to move all residential and small business customers currently on rollover contracts to alternative deals, and to completely remove rollover contracts from the market by 31 December 2012.

Ofcom has published its statement on ARCs on its website.

Ofcom confirms plans to safeguard the supply of UK telephone numbers

Ofcom has outlined how it plans to safeguard the future supply of landline numbers across the UK.

The plans will avoid the need to change existing phone numbers and will mean consumers and businesses continue to enjoy the widest choice of providers.

Currently, Ofcom allocates 01 and 02 telephone numbers to around 300 communications providers free of charge in large blocks. These companies then use the numbers to provide services to homes, businesses and other organisations.

Ofcom has confirmed that it will manage future demand for phone numbers from new and existing communications providers by introducing local area code dialling in places where numbers are very scarce. This will mean that certain areas will need to dial the whole number when making local calls. Currently Ofcom expects that these measures may be needed first in Bournemouth by mid-2012.

Based on current forecasts, Ofcom expects that similar changes may also be required in Brighton and Hove (01273), Aberdeen (01224), Milton Keynes (01908), Bradford (01274) and Cambridge (01223) by 2016.

Ofcom is also proposing to launch a pilot scheme to charge communications providers 10p per local phone number per year in around 30 areas where numbers are most scarce, to encourage their efficient use. The aim of this is to encourage communications providers to consider their plans carefully before applying for new bulk allocations of phone numbers and incentivise the return of unused numbers to Ofcom.

Ofcom expects to announce the final pilot area codes when it publishes its decision early next year, and it proposes to launch the pilot in autumn 2012 and review it around two years after implementation.

Ofcom’s statement and further consultation can be found here.
Ofcom plans to upgrade telecoms services for disabled people

Phone users with hearing and/or speech impairments stand to benefit from new measures being proposed by Ofcom.

By law, communications providers must provide ‘text relay’ services for disabled consumers. This involves a relay assistant converting typed messages into speech and then back again, allowing consumers with hearing and/or speech impairments to communicate on the phone.

Ofcom research has found that these conversations can be slow and sometimes fail to flow naturally. Ofcom is therefore proposing to upgrade services by introducing a number of modifications to bring the experience more in line with voice communications. This includes a new feature that will allow users to interject during a conversation, instead of having to wait until the end of a message.

Ofcom is also setting out options for the introduction of video relay for British Sign Language (BSL) users.

Next generation Text Relay service

Having considered the options, Ofcom is proposing that a Next Generation Text Relay service should be introduced to support the following:

- The introduction of simultaneous two-way speech with “live captions”. This will allow users to interject and would remove the need to say ‘go ahead’ after each part of a conversation, improving the flow of conversation.
- Use of mainstream equipment. This will allow users to access services either through existing relay equipment or through mainstream consumer electronics such as PCs and netbooks.

Video relay

Recognising the benefits that video relay could offer some disabled consumers, particularly those BSL users who find written English difficult, Ofcom is also proposing the introduction of video relay on a restricted basis. A further document on video relay service will be published next year.

Abandoned and silent calls monitoring and enforcement: Action against TalkTalk

As part of Ofcom’s ongoing programme of investigation into the making of abandoned and silent calls by companies, Ofcom has issued a notification to TalkTalk Telecom Limited (“TalkTalk” under section 128 of the Communications Act 2003 (the “Act”).

The notification sets out that Ofcom has reasonable grounds for believing that between 1 February 2011 and 21 March 2011, TalkTalk persistently misused an electronic communications network or electronic communications services in a number of respects including by making an excessive number of abandoned calls.

The notification gives TalkTalk until 14 November 2011 to make representations to Ofcom regarding the matters set out in the notification, and to take steps to end the misuse and to remedy the consequences of the notified misuse.

After this date Ofcom will consider whether further action is appropriate, including whether to impose a financial penalty under section 130 of the Act. For more information click here.

Own-initiative investigation into Everything Everywhere’s (trading as Orange) compliance with General Condition 23 in respect of its sales and marketing practices

Ofcom has opened this investigation following complaints from consumers who claim to have been mis-sold a mobile telephony service by Orange.

Ofcom’s investigation will examine whether there are reasonable grounds to believe that Orange has failed to comply with the rules that prohibit the mis-selling of mobile services (known as General Condition 23). General Condition 23 sets out a range of requirements that mobile networks operators must comply with, including the provision of information at the point of sale (GC23.5) and obligations with regards to Mobile Service Retailers (GC23.4). The investigation will explore Orange’s compliance with these provisions, and any other sections of GC23 as appropriate.

Updates on the investigation will be made in due course, and can be found on Ofcom’s website.
UK consumers are benefiting from a boost to broadband speeds, Ofcom’s latest broadband speeds research revealed.

The average UK broadband speed increased by 10 per cent, from 6.2Mbit/s in November/December 2010, to 6.8Mbit/s in May 2011.

And almost half (47 per cent) of UK residential broadband users are on packages with advertised speeds above 10Mbit/s in May 2011, compared to 42 per cent in November 2010 and just 8 per cent in April 2009.

But the gap between actual speeds and advertised (‘up to’) speeds also increased.

The average advertised speed in May 2011 was 15Mbit/s, 8.2Mbit/s higher than average actual speeds of 6.8Mbit/s. In November/December 2010 the gap was 7.6Mbit/s (average actual speed was 6.2Mbit/s and average advertised speed was 13.8Mbit/s).

Superfast services offer faster speeds...

Ofcom’s research found that superfast services offer significantly faster speeds than copper ADSL broadband, with much smaller differences – or no difference – between headline speed claims and actual speeds.

The average download speed on Virgin Media’s 30Mbit/s service offered average speeds of 31Mbit/s and its 50Mbit/s service offered average speeds of 48Mbit/s. BT’s Infinity service, which has a headline speed of 40Mbit/s, offered average speeds of 34Mbit/s.

…but most consumers have copper ADSL broadband

However, over 75 per cent of UK residential broadband connections are currently delivered by copper ADSL telephone lines. Speeds for these consumers depend on the length and quality of the line running from their home to the local exchange. The closer a consumer lives to the exchange, the better the performance.

The research found that the average download speed received for ADSL ‘up to’ 20Mbit/s and 24Mbit/s ADSL services was 6.6Mbit/s, and more than a third of customers (37 per cent) on these packages received average speeds of 4Mbit/s or less.

The UK fixed-line broadband performance report, undertaken in partnership with SamKnows, can be found here.

Clear broadband information for consumers

Ofcom is committed to ensuring consumers have access to clear information about their broadband speeds. The broadband speeds Code of Practice was introduced to inform prospective broadband customers of their likely speed before signing up to a service.

Ofcom set out changes to the Code of Practice last year, which came into effect on 27 July.

The key changes to the revised Code are:

• instead of receiving a single point estimate of the maximum speed on their line, consumers will be given a speed range (based on customers with similar line lengths) which is more likely to be accurate than a single point; and

• a new option for customers to leave their provider without penalty if they receive a maximum line speed which is significantly lower than the bottom of the estimated range, and ISPs are not able to resolve the problem. Customers would be able to leave within the first three months of their contract.

Ofcom has published a list of ISPs who signed up to the new Code of Practice so customers know who is offering the clearest information on achievable speeds. Ofcom will also undertake a mystery shopping exercise in the next few months to assess compliance with the Code.

COMPLAINTS DATA

Ofcom publishes complaints data to enable its stakeholders to view trends in the complaints it receives from the public about particular telecoms issues.

The complaints data for the past 12 months can be found here.

CONTACT US

We’d really welcome your views on our Consumer Bulletin. Do e-mail miriam.martin@ofcom.org.uk or call Miriam on 020 7783 4517 if you have any views on how we can improve the next issue.