



Supplement to
Annual Plan 2011/12
Regulation of postal services

Publication date:

8 August 2011

Regulation of postal services

- 1.1 The Postal Services Act 2011 (“the Act”) received Royal Assent on 13 June 2011. It provides for responsibility for the regulation of postal services to transfer from the Postal Services Commission (Postcomm) to the Office of Communications (Ofcom). It is expected that vesting of these new responsibilities for Ofcom will take place on 1 October 2011.
- 1.2 The Act places new duties upon Ofcom in addition to our existing responsibilities under the Communications Act 2003. The Act requires that Ofcom must carry out its functions in relation to postal services in a way that it considers will secure the provision of a universal postal service. In performing this duty Ofcom must have regard to:
 - The need for provision of the universal service to be financially sustainable; and
 - The need for the provision of a universal postal service to be efficient before the end of a reasonable period and for its provision to continue.
- 1.3 Postcomm and Ofcom are working to secure the transition of regulatory responsibility with minimal disruption for industry, users and staff. In that regard Ofcom will also develop a new regulatory framework for the postal sector which is based on and reflects the duties and functions set out in the relevant legislation.
- 1.4 This document is intended to help stakeholders understand the work we are currently undertaking and the work we will undertake following vesting of the Act. In particular it provides details of our priorities and work programme from 1 October 2011 to 31 March 2012 in relation to the postal market. This supplements the information set out in Ofcom’s Annual Plan for 2011/12¹, published on 4 April 2011.
- 1.5 In relation to our priorities for 2011/12 we are undertaking the following work which expands on the information provided in sections 3.41 to 3.43 of our Annual Plan:

Prepare for and fulfil regulatory duties in relation to post

- Ofcom will continue to prepare for the transfer of regulatory responsibility for post, publishing a consultation on the initial conditions required to transfer from a licensing regime to a general authorisation regime. We aim to ensure that the transfer between regulatory regimes is as smooth as possible and that the new authorisation regime mirrors licence conditions currently in place to substantially the same effect, as required by the Act. We are publishing this consultation today (8 August 2011), with the resulting initial conditions and consumer protection conditions to take effect from 1 October 2011. This consultation will also address a number of other transitional issues, such as the provisional designation of Royal Mail as the universal service provider, approval of a redress scheme and statements on information gathering and charging principles.
- Ofcom will have responsibility for implementing a new regulatory framework, following the publication by Postcomm of a series of consultation documents between February and May 2011. This work will encompass the requirements and obligations that may be placed on Royal Mail in respect of accounting

¹ Available at <http://www.ofcom.org.uk/about/annual-reports-and-plans/annual-plans/annual-plan-2011-12/>

separation and transparency of costing information. We expect to publish a consultation on our plans regarding economic regulation in October 2011, with a final decision in early 2012, ready for implementation in April 2012.

- In preparation for the implementation of the new system of regulation of postal services in April 2012, we will review the authorisation conditions developed for vesting in October 2011, updating them to take account of any regulatory change.
- The Act requires Ofcom to carry out its functions in relation to postal services in a way that it considers will secure the provision of a universal postal service. In accordance with section 30 of the Act, we plan to initiate a review of the extent to which the postal services market in the United Kingdom is meeting the reasonable needs of the users of those services, and will assess the scope of the universal postal service. This work will build on work undertaken by Postcomm.
- Section 41 of the Act states that Ofcom may impose a notification condition on any person providing or intending to provide a service within the scope of the universal postal service. A notification condition would require the person to give Ofcom advance notice of their intention to provide a letters business on a specified scale or to expand the business by a specified extent. This section also allows the Secretary of State to direct Ofcom to impose such a condition. Ofcom expect to issue a notification condition and will consult on the details at the appropriate time.

- 1.6 In addition to the work outlined above we will fulfil our responsibilities under the Competition Act as they relate to post:

Resolve disputes and investigate complaints under the Competition Act or the regulatory conditions applicable to postal services and impose penalties where appropriate

- Consistent with section 4.17 of our Annual Plan for 2011/12, we will address any issues arising in 2011/12 under our normal procedures.

- 1.7 This update has been produced to help stakeholders understand our work in relation to the regulation of postal services between now and the end of the financial year 2011/12. We will be consulting on our work programme for 2012/13 in our Draft Annual Plan due to be published later in 2011. This will include further detail on our planned activities that relate specifically to the postal sector for 2012/13. In the meantime if you have any questions, please contact Chris Rowsell (chris.rowsell@ofcom.org.uk).

Project	Description	Project Director	Planned Output
Economic regulation	Putting in place an appropriate system for economic regulation of postal services from April 2012. This includes: <ul style="list-style-type: none"> • Whether and if so to what extent retail and wholesale prices should be controlled • Access review • Accounting separation • Cost transparency • LRIC 	Chris Rowsell	Consultation in October 2011, statement in early 2012.
Transitional provisions	Making sure that the transfer between regulatory regimes is as smooth and seamless as possible by setting initial conditions for postal operators that have substantially the same effect as the existing regulatory regime applicable.	Chris Rowsell	Initial conditions to take effect from 1 October 2011.
Review of general authorisation conditions	Ensuring that the authorisation conditions applicable to postal operators under the new regulatory regime are fit for purpose.	Chris Rowsell	Consultation in December 2011, statement in March 2012.
Review of user needs	Assessing the scope of the USO, whether it meets the needs of users.	Selina Chadha	Call for inputs in November 2011.
Notification condition	Implementing a notification condition in line with the Act.	Chris Rowsell	To be confirmed.
Programme	Description	Project Director	Planned Output
Investigations	Handling disputes and Competition Act investigations. Monitoring and taking action as appropriate with regard to regulatory conditions applicable to postal services.	Neil Buckley	Outputs contingent on disputes and investigations as they arise.