



Postal regulation: Transition to the new regulatory framework

Statement

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Section 1

Summary

- 1.1 The Postal Services Act 2011 (“the Act”) received Royal Assent on 13 June 2011. It provides, amongst other things, for responsibility of regulation for postal services to move from the existing regulator, Postcomm, to Ofcom. It also replaces the existing licensing regime with a general authorisation regime. The general authorisation regime will come into effect on 1 October 2011.
- 1.2 On 8 August 2011, Ofcom consulted on our proposals for the regulatory regime to apply from 1 October 2011. The consultation closed on 9 September 2011. This document sets out our decisions:
 - provisionally to designate Royal Mail as a universal service provider (section 2 and annex 1);
 - to re-approve the Postal Redress Service (POSTRS) and the consumer redress scheme criteria (section 2 and annex 7);
 - for the regulatory conditions (section 2 and annex 2);
 - for the charging principles (section 2 and annex 4); and
 - for information gathering (section 2 and annex 5).
- 1.3 Under the Communications Act 2003, we are required to publish an impact assessment where a proposal in connection with the carrying out of our functions is “important”. A proposal is “important” if its implementation is likely to involve a major change in the activities carried on by Ofcom or have a significant impact on persons carrying on business in the markets we regulate, or the general public. As stated in our consultation, we do not consider that any of our proposals were “important” in this sense. The activities carried on by Ofcom are changing because of the Act. We are not seeking to make any substantial changes to the regulatory regime. Most of the changes we are making are required by law.

Section 2

Responses to the consultation and Ofcom's decisions

- 2.1 Under the transitional provisions set out in Schedule 9 of the Act, Ofcom is required to determine the regulatory conditions under the new general authorisation regime which are to apply with effect from 1 October 2011.
- 2.2 Effectively, this entails transposing the existing conditions contained in postal operators' licences into conditions under the general authorisation regime. For a transitional period, these conditions are required to be substantially similar to the conditions which were previously contained in licences, except where Ofcom considers that a condition is no longer necessary.
- 2.3 On 8 August 2011, Ofcom consulted on the regulatory regime to apply from 1 October 2011. The consultation closed on 9 September 2011. Responses to the consultation were provided by: the Communication Workers Union ("CWU"), Consumer Focus, the Direct Marketing Association ("DMA"), Mail Competition Forum ("MCF"), the Mail Users' Association, the PAF Advisory Board ("PAB"), the Professional Publishers' Association, the PostalGroup and Royal Mail Group Ltd ("Royal Mail").

Regulatory conditions and associated directions

- 2.4 In accordance with Schedule 9, paragraph 4(1) and 4(2), the "initial conditions" that Ofcom puts in place must be to substantially the same effect as the licence conditions which applied immediately before 1 October 2011, except where it appears to Ofcom that it is unnecessary to maintain a provision made by the existing licence conditions. The relevant licences for these purposes are the universal service provider licence which is held by Royal Mail Group Limited and the standard licences which are held by postal operators who are not required to provide the universal service but hold a licence.
- 2.5 Pursuant to Schedule 9, paragraph 4(3), consumer protection conditions do not have to be to substantially the same effect as current licence conditions. This is to allow Ofcom to incorporate the consumer protection requirements which sit outside of the current licence conditions. The Consumers, Estate Agents and Redress Act 2007 ("CEARA") required Postcomm to make regulations in relation to complaint handling and allowed the Secretary of State to make an Order requiring certain postal operators to be members of an approved redress scheme. The regulations fall away with the revocation of the relevant provisions of CEARA under Schedule 12 of the Act. Ofcom now needs to bring the requirements set out in the Postal Services (Consumer Complaint Handling Standards) Regulations 2008 and the requirement to be a member of an approved redress scheme into the consumer protection conditions allowed for under the Act.
- 2.6 Postcomm recently carried out work to establish a new regulatory framework. As part of this work, Postcomm reviewed the licence conditions in place to assess whether each condition reflected the current statutory regime, appropriately related to Postcomm's duties, was up to date and was effective. Following that review,

Postcomm amended various licence conditions. The Act allows Ofcom to rely on work carried out by Postcomm.

- 2.7 Responses on the proposed regulatory conditions and associated directions were provided by the CWU, Consumer Focus, the DMA, the MCF, the PAB and Royal Mail.
- 2.8 Some respondents requested substantive changes to, or an explanation of, the existing regulatory regime. As mentioned at 2.4 above, the purpose of this exercise is to put in place regulatory conditions which have substantially the same effect as the existing licence conditions. As set out in the “Supplement to Annual Plan 2011/12”¹ there are separate projects looking at whether (and how) any regulatory provisions should change from 31 March 2012. We have therefore noted such submissions for the purposes of these future projects but do not address them further in this statement.
- 2.9 A number of respondents identified errors in references, missing definitions/words, minor drafting improvements and obvious typographical errors. We have amended these in the Conditions and do not discuss them further below.
- 2.10 Annex 2 contains our Notice of the regulatory conditions and the associated directions to apply from 1 October 2011.

Definitions

- 2.11 Royal Mail submitted that paragraph (c) of the definition of “Controlled Services” should only apply in relation to conditions whose origin is Condition 4 of Royal Mail’s licence. We consider that our proposed drafting is to “substantially the same” effect as the existing licence as a numbered service 4 in Condition 4 is not different from the service with the same number in Condition 21 of Royal Mail’s licence.

Designated universal service provider conditions

- 2.12 Royal Mail commented on the drafting of DUSP Condition 5 (and also CP Condition 1). Our proposed amendments were seeking to clarify and simplify the existing Condition 4 of Royal Mail’s licence. However, the comments received made it clear that some of the proposed changes would lead to inadvertent changes to the meaning of the condition. In most cases we have reverted to wording substantially similar to that of the existing licence condition.
- 2.13 Royal Mail queried the inclusion of the word “reliability” and our write-out of the wording of the Annex to the Postal Services Directive on the basis that these were not previously in the licence. “Reliability” was taken from Condition 4, paragraph 3(a) of Royal Mail’s licence and we consider that the Annex was already incorporated in the condition by paragraph 3(b) and (c) and footnote 2. We therefore do not consider that reproducing it represents a new obligation. Nor do we consider that it creates a new audit obligation for Royal Mail. We are not currently aware of any reason to consider that the work carried out by the IPC for Royal Mail would not meet the requirements of paragraph 8(a) of Condition 4.
- 2.14 Also in relation to DUSP Condition 5 (and also CP Condition 1), Royal Mail pointed out that the current standardised measure for the percentage of collection points

¹ Published 8 August 2011, http://www.ofcom.org.uk/about/annual-reports-and-plans/annual-plans/files/2011/08/Postal_Services_Annual_Plan.pdf

served each day includes business collections which Postcomm recently confirmed is not in the universal service². Whilst collections from access points (post offices and post boxes) are included in the measure and are part of the universal service, non-universal business collections cannot currently be separated out from the measurement. Therefore, this standardised measure and the associated monitoring and reporting requirements have been included in CP1.

- 2.15 The MCF queried why paragraph 3 of Condition 5 of Royal Mail's licence had been omitted from the initial conditions. We consider this to have been a duplication of the obligations imposed by the Postal Services (Consumer Complaint Handling Standards) Regulations 2008, and it is therefore transposed by CP 8.10(a).

USP accounting condition

- 2.16 Royal Mail did not consider that the term "postal services" has substantially the same effect as the term "licensed and non-licensed services". It explained that in its view the former, but not the latter, would include services such as mail opening, mail disguising, mail screening and mail preparation. We have created a new term "specified postal services" which is intended to correspond more precisely with the old definitions of "licensed and non-licensed services", and made consequential changes to the transposition of Royal Mail's licence conditions 7 (CP 4), 15 (Acc 1) and 16 (T 4) and the definition of "RML".
- 2.17 Royal Mail wanted the timeframes for the regulator to act, (paragraph 15 of Condition 15 of its licence, now Acc 1.15) to be retained; or alternatively for other provisions with timescales to which Royal Mail is subject, to be relaxed. Under Schedule 6 of the Act, directions, approvals and consents issued by Ofcom under regulatory conditions are subject to an obligation to consult for one month. We note that the timeframes allow up to 42 days. We will therefore aim to respond within this timeframe and should we fail to do so, this would of course be relevant to our decision on whether or not to take enforcement action.

Consumer protection conditions

- 2.18 As set out above in relation to DUSP 5, we have amended CP 1 to revert to the wording of Royal Mail's licence condition 4.³
- 2.19 In relation to the postal common operational procedures, we understand that Postcomm is carrying out a consultation to make the appropriate changes to the Postal Common Operational Procedures Agreement by 30 September 2011. Consequently (and without prejudice to the final decision to be made on the proposed changes) we will not make a direction but will instead require regulated postal operators to be party to the existing agreement as amended.
- 2.20 We understand that currently licensed postal operators are allocated a Code Identifier on grant of a licence under the Postal Services Act 2000 and the Code Identifier Register is published on Postcomm's website. As the requirement to be licensed now falls away, this will no longer happen automatically. Postal operators will need to approach Ofcom if they need a Code Identifier. We would anticipate that

² Postcomm, *The building blocks for a sustainable universal service: removing bulk products from the universal service and clarifying the status of other universal service products – a decision document*, August 2011, <http://stakeholders.ofcom.org.uk/binaries/post/2005.pdf>

³ Royal Mail considered that CP 4.2 ought to refer to a document published by Postcomm in February 2011. We have not made this change, as no determinations were made in February 2011.

such an application would require the operator to provide its name and registered address, trading name (if different), contact details and details of the regulated postal services it proposes to offer. We will publish the Code Identifier Register on the Ofcom website and will notify the Secretary of the Postal Common Operational Procedures Agreement when we issue a Code Identifier.

- 2.21 Royal Mail pointed out that our proposed drafting of Condition CP 6 (Condition 20 of Royal Mail's licence and Condition 10 the standard licences) would have led to a substantive difference from the current regulatory regime in the way that Consumer Direct is funded. We have amended this⁴.

USP access conditions

- 2.22 In relation to Condition USPA 1.2, both Royal Mail and the MCF queried the effect of Postcomm's work in relation to Royal Mail's request for a direction disapplying Condition 9 of its licence in respect of access other than at inward mail centres. We have amended Condition USPA 1.1 to ensure it provides for any direction issued by Postcomm.
- 2.23 In relation to Condition USPA 4.1, the MCF noted that an access dispute may only be brought to Ofcom in the manner specified by Ofcom. We have set out in Annex 6 details of the format in which postal disputes are to be submitted to Ofcom. This will also be published on the Ofcom website alongside our existing dispute resolution guidelines.

Essential condition

- 2.24 Royal Mail proposed that the definition of "stolen" from Condition 1 of its licence should be used rather than the definition used in the Mail Integrity Code. We see no reason to change the definition, which does not appear to us to have any impact on any condition other than E 1.

Transitory conditions

- 2.25 A number of responses to the consultation queried the basis upon which conditions were classified as transitory. The CWU queried whether some further conditions should be classified as transitory on the basis of their future validity would depend on whether certain thresholds in the Act were met in the future.
- 2.26 As explained in the consultation, "transitory" conditions are conditions which contain provision of a kind that could not be contained in any regulatory condition under Part 3 of the Act. Conditions which Ofcom is permitted to impose under the Act, subject to certain thresholds being met, are not "transitory" conditions for the purposes of the Act, and so have not been identified as such in this process.
- 2.27 Many of the conditions we consider to be "transitory" are classified as such because they are "mixed". This means they apply to a variety of services or for a variety of purposes, such that no single condition type under Part 3 of the Act would be possible. Ofcom is under an ongoing duty under section 6 of the Communications Act 2003 to review regulatory burdens with a view to securing that regulation by Ofcom does not involve the maintenance of burdens which have become unnecessary. We are satisfied that our current classification of conditions is appropriate.

⁴ We note that the requirement for other licensed operators to make an annual payment to Postcomm of £1,000 was removed in 2000.

- 2.28 A number of respondents (including Royal Mail) commented on our proposed transposition of Condition 21 of Royal Mail's licence. The responses highlighted a number of areas where they considered our proposals might have the effect of changing the existing obligations in Condition 21. Having considered the responses carefully, and in light of the fact that it remains our intention that the price control set out in Condition 21 should cease to have effect from 31 March 2012, we have decided to revert in all material respects to the wording of the existing condition as set out in Royal Mail's licence, save where individual provisions were clearly unnecessary and their removal could be effected without materially having to amend other related provisions. This will ensure that the price control obligations on Royal Mail will remain to substantially the same or similar effect until they cease to operate next year. We have retained the provision at T4.1 that this condition shall cease to have effect on 31 March 2011. Ofcom's forthcoming consultation will set out Ofcom's proposals for the regulatory regime to take effect from 1 April 2012. We have also taken the same approach in relation to those USP access conditions that originate from Condition 21 of Royal Mail's licence.
- 2.29 Royal Mail considered that paragraph 17 of Condition 21 of its licence (T 4.19) should be amended to remove bulk mail services in order to comply with the Directive. We do not agree with Royal Mail's interpretation of the Directive. In any event, this is part of the price control condition which will cease to apply on 31 March 2012.

“Unnecessary” conditions

- 2.30 In relation to Condition 11 of Royal Mail's licence, the MCF expressed concerns that competition laws may not have “substantially the same effect” as the existing licence condition because of procedural differences and the availability of follow-on damages after a Competition Act infringement finding. We do not consider that the condition imposes any different obligation on Royal Mail than competition law does. We remain of the view that the obligation is duplicative and therefore unnecessary.
- 2.31 Consumer Focus argued that Condition 18 of Royal Mail's licence and Condition 8 of the standard licences should be retained, because the Government may not give consumer bodies information-gathering powers in future. We do not consider that it would be appropriate for Ofcom to maintain regulation for such a reason.

Directions

- 2.32 In our consultation, we proposed to make three directions: two relating to the Postcode Address File and one relating to Secretary for the Postal Common Operational Procedures Agreement.
- 2.33 The MCF and the PAF Advisory Board raised concerns that the proposed direction relating to access to the Postcode Address File may not encompass certain decisions made by Postcomm in 2007 and 2010 which established the PAF Advisory Board (“PAB). They felt the direction should be amended to ensure that those decisions remain enforceable. We do not consider that such amendment is necessary or permitted in these circumstances. The PAB's existence is not currently required by an enforceable regulatory provision, so in our view this would be a substantive change which we do not consider we could lawfully make in this process. We note however that the PAF Code of Practice, to which the second direction relates, makes reference to the PAB. We also note that the Act expressly permits Ofcom to rely on any work done by Postcomm. As such Ofcom is entitled to have regard to previous Postcomm decisions and to rely on them, as appropriate.

- 2.34 We have decided to make the three directions in the form upon which we consulted on them. The first two, relating to the Postcode Address File, will be made under power which will come into existence on 1 October 2011 and therefore cannot be issued before then. Therefore, this decision is provisional until that date. The draft form of these directions is at Annex 7. The direction relating to the Secretary for the Postal Common Operational Procedures Agreement is made under the regulatory conditions which we must determine before 1 October 2011 and therefore can be made today in order to have effect from 1 October 2011. See Annex 2, appendix 2.

Provisional designation of universal service provider

- 2.35 Of the consultation respondents who expressed a view, all agreed with our proposal to designate Royal Mail as universal service provider. We have decided provisionally to designate Royal Mail: see Annex 1.

Approval of a redress scheme

- 2.36 No consultation respondents disagreed with our proposal to approve the current redress scheme. Two respondents considered that we should review the redress arrangements in the near future. We have provisionally decided to approve POSTRS. Our formal power to do so will arise on 1 October 2011 and therefore the formal notice cannot be issued until that day.

Charging principles

- 2.37 Only Royal Mail had any substantive comments on our proposed Statement of Charging Principles. Its comments related to concerns with how the regulator's administrative fees are collected at present and as such making any changes in respect of them would represent a substantive change to the current regulatory regime. We are reviewing how administrative fees should be collected from the next financial year and will take Royal Mail's comments into consideration as part of that work.
- 2.38 The costs of the integration of Postcomm and Ofcom are currently funded via a loan from the Government which must be repaid. Royal Mail has been aware of this cost for some months. Consequently, while we recognise that the Statement of Charging Principles differs from the current regime in that it provides for payment on invoicing rather than a month from invoice, we do consider that this change is appropriate. The due date for payment will, however, be subject to review along with the rest of the Statement.
- 2.39 We have decided to make the Statement of Charging Principles. See Annex 4.

Information Gathering

- 2.40 No consultation respondents disagreed with our proposal to apply our current information gathering policy from 1 October 2011 as though it included references to post, pending a review of the guidelines as a whole. We have decided to apply our current policy: see Annex 5.

Annex 1

Provisional designation of universal service provider

This provisional designation is issued by Ofcom under Schedule 9 paragraph 3(1) of the Postal Services Act 2011 and has effect from the Appointed Day.

Ofcom hereby provisionally designates Royal Mail Group Limited (registered number 4138203) as universal service provider.

Signed by *Stuart McIntosh*

Partner, Competition

A person duly authorised by Ofcom under paragraph 18 of the Schedule to the Office of Communications Act 2002

29 September 2011

Annex 2

Notice of regulatory conditions and direction

NOTIFICATION OF REGULATORY CONDITIONS AND DIRECTIONS IN ACCORDANCE WITH SECTION 66 OF, AND PARAGRAPHS 4 TO 6 OF SCHEDULE 9 TO, THE POSTAL SERVICES ACT 2011

WHEREAS

- (A) The Office of Communications (“OFCOM”) issued a notification pursuant to section 66 of, and Paragraphs 4 to 6 of Schedule 9 to, The Postal Services Act 2011 (the “Act”) setting out their proposals for regulatory conditions (and associated directions) on 8 August 2011 (the “First Notification”);
- (B) A copy of the First Notification was sent to the Secretary of State in accordance with Schedule 6 paragraph 5(1) of the Act, and to the European Commission in accordance with Schedule 6 paragraph 5(2) of the Act;
- (C) In the First Notification and the accompanying explanatory statement, OFCOM invited representations about any of the proposals set out therein by 9 September 2011;
- (D) By virtue of section 66, Paragraphs 4 to 6 of Schedule 9 and Schedule 6 paragraph 3 to the Act, OFCOM may give effect to any proposals with respect to which they have published a notification, with or without modification, where -
 - (i) they have considered every representation about the proposals made to them within the period specified in the First Notification; and
 - (ii) they have had regard to every international obligation of the United Kingdom (if any) which has been notified to them for this purpose by the Secretary of State;
- (E) OFCOM received responses to the First Notification and have considered every such representation made to them in respect of the proposals set out in the First Notification and the accompanying explanatory statement; and the Secretary of State has not notified OFCOM of any international obligation of the United Kingdom for this purpose;

THEREFORE

1. Ofcom hereby imposes, in accordance with (and pursuant to powers under) section 66 of, and paragraphs 4 to 6 of Schedule 9 to, the Act, the conditions specified in the Schedule hereto.
2. The conditions shall apply to every postal operator who is of a particular description specified in the respective condition on and after the Appointed Day.
3. Ofcom hereby makes the direction in the Schedule hereto.

INTERPRETATION

4. Except insofar as the context otherwise requires, words or expressions shall have the meaning assigned to them in this Notification and otherwise any word or expression shall have the same meaning as it has been ascribed for the purpose of Part 3 of the Act.
5. In this Notification—
 - (a) “**Act**” means the Postal Services Act 2011 (c.5);
 - (b) “**Appointed Day**” means the day appointed under section 93(3) of the Act as the day on which the provisions of Part 3 of the Act come generally into force.
6. For the purpose of interpreting this Notification—
 - (a) headings and titles shall be disregarded;
 - (b) expressions cognate with those referred to in this Notification shall be construed accordingly;
 - (c) terms defined in Part 1 of the Schedule to this Notification have been underlined for ease of reference and no other reliance should be placed on such underlining; and
 - (d) the Interpretation Act 1978 (c. 30) shall apply as if this Notification were an Act of Parliament.
7. The Schedule to this Notification shall form part of this Notification.

Signed by *Stuart McIntosh*

Partner, Competition

A person duly authorised by Ofcom under paragraph 18 of the Schedule to the Office of Communications Act 2002

29 September 2011

SCHEDULE

The conditions imposed on every postal operator who is of a particular description specified in the respective condition on and after the Appointed Day and the direction issued under condition CP 5.5

Part 1: Application, definitions and interpretation relating to the conditions in Part 2 and the direction in Part 3

1. The conditions in Part 2 of this Schedule shall apply to every postal operator who is of a particular description specified in the respective condition on and after the Appointed Day.
2. In this Schedule—
 - (1) “**Access Agreement**” means an agreement other than a USP Access Agreement between regulated postal operators which permits access to the postal facilities as defined in the Postal Common Operational Procedures Code.
 - (2) “**Access Code**” means a code established under Condition USPA 2.1.
 - (3) “**Access payments**” means payments made to any other regulated postal operator for the conveyance of letters conveyed by the regulated postal operator from its customers to that other regulated postal operator.
 - (4) “**Access Service**” means the Controlled Services numbered 39-51 together with any new service determined by Ofcom by direction to fall within the same market or market segment as any existing Access Service; and for the purposes of this definition any such determination by the Postal Services Commission prior to the Appointed Day shall be deemed to be a determination by Ofcom; and Access Services means all such services.
 - (5) “**Accounting Separation Commitments**” means the commitments contained in Annex B to the document published by the Postal Services Commission in February 2011 entitled “*Laying the foundations for a sustainable postal service*”, *Explanatory memorandum and notice of proposed licence modifications under section 14 of the Postal Services Act 2000*⁵.
 - (6) “**Act**” means the Postal Services Act 2011 (c.5).
 - (7) “**Activity**”, in relation to Condition Acc 1, means a task (whether operational or non operational) which is required to be carried out in order to complete a process which relates to the conveyance of postal packets.
 - (8) “**Appointed Day**” means the day appointed under section 93(3) of the Act as the day on which the provisions of Part 3 of the Act come generally into force.
 - (9) “**Auditors**” means competent independent auditors appointed by the Universal Service Provider.

⁵ The commitments were accepted by Royal Mail in its letter to the Postal Services Commission dated 30 March 2011.

- (10) “**Base Rate**” means the base rate of interest offered by Barclays Bank plc, or, if Barclays Bank plc ceases to publish a base rate, such other rate of interest as Ofcom, after consultation with the Universal Service Provider, may reasonably determine.
- (11) “**Basket A**” means the Controlled Services numbered 1-13 together with any new service determined by Ofcom by direction to fall within the same market or market segment as any such service; and for the purposes of this definition any such determination by the Postal Services Commission prior to the Appointed Day shall be deemed to be a determination by Ofcom.
- (12) “**Basket B**” means the Controlled Services numbered 14-32 together with any new service determined by Ofcom by direction to fall within the same market or market segment as any such service; and for the purposes of this definition any such determination by the Postal Services Commission prior to the Appointed Day shall be deemed to be a determination by Ofcom.
- (13) “**Basket C**” means the Controlled Services numbered 39-51 together with any new service determined by Ofcom by direction to fall within the same market or market segment as any such service; and for the purposes of this definition any such determination by the Postal Services Commission prior to the Appointed Day shall be deemed to be a determination by Ofcom.
- (14) “**Blind**” means registered as blind under the provisions of the National Assistance Act 1948.
- (15) “**Calculated on a revenue equated basis**” means calculated using the method for establishing volumes of letters or postal packets set out in T4.9 and T 4.10 and cognate terms should be construed accordingly”.
- (16) “**Certified**” means certified as reasonably calculated, on the basis of professional financial and statistical analysis having due regard whenever possible to revenues invoiced by the Universal Service Provider by reference to stated prices and volumes and by reference to subcategories of the Controlled Services where, in the opinion of the Auditors, such reference is appropriate.
- (17) “**Christmas period**” means the period commencing on the first Monday in December in any year and ending at the start of the first working day after the New Year public holiday in the following year or, in Scotland, at the start of the first working day after the Scottish New Year public holiday in the following year.
- (18) “**Code Objectives**” means the objectives set out in paragraph 1.1 of the Postal Common Operational Procedures Code.
- (19) “**Code Postal Packet**” means a postal packet conveyed in the provision of a regulated postal service.
- (20) “**Collection points**” means access points used in the provision of a universal service and points from which Business Collections are made;
- (21) “**Community**” means the European Community.
- (22) “**Complainant**” means a person who has made a consumer complaint.

- (23) “**Complaint**” means any expression of dissatisfaction made to a postal operator, related to one or more of its products or services or the manner in which the postal operator has dealt with any such expression of dissatisfaction, where a response is explicitly or implicitly required or expected to be provided.
- (24) “**Complaints handling procedure**” means the procedure required by Condition CP 8.1.
- (25) “**Completed complaint**” means a consumer complaint in respect of which there remains no outstanding action to be taken by the postal operator in accordance with its complaint handling procedure.
- (26) “**Connected Change**” means any change to the Costing Manual which when taken together with one or more other changes to the Costing Manual could reasonably be considered by Ofcom to amount substantively to a single change to the Costing Manual that would be considered to be a Material Change under Condition Acc 1.20.
- (27) “**Consumer**” means a person who uses postal services either as a sender or an addressee.
- (28) “**Consumer complaint**” means a complaint which is made against a regulated postal operator either—
- (a) by a person in that person's capacity as a relevant consumer; or
 - (b) by a person acting on behalf of such a relevant consumer.
- (29) “**Consumer Direct**” means the telephone and online consumer advice service operated by the OFT.
- (30) “**Consumer Direct expansion expenses**” has the meaning given in CP 6.2(b).
- (31) “**Contract targets**” means such targets for or obligations in respect of service performance as are set out in the regulated postal operator's contracts with its customers.
- (32) “**Contract customer**” means a person who is a consumer in relation to a regulated postal service where the provision of the regulated postal service is governed by a contract between that consumer and the regulated postal operator.
- (33) “**Controlled Service**” has the meaning given in the Annex to these definitions: Annex 1 - Definition of Controlled Services.
- (34) “**Costing Manual**”, save in relation to Condition USPA 4 means the document produced by the Universal Service Provider from time to time pursuant to Condition Acc 1.3⁶.
- (35) “**Costing methodology**” means the rules, policies, procedures, methods, models (including tables, matrices, mappings, lists of accounts, codes and cost structures), calculations, algorithms, concepts, assumptions (including a description of any evidence underlying such assumptions) and any other processes used by the Universal Service Provider to assign costs incurred by

⁶ The current version is available at: http://www2.royalmailgroup.com/sites/default/files/pdfs/ABC_Costing_Manual.pdf

RML to services provided by RML, and as may otherwise be required for the preparation of the regulatory financial statements required by Condition Acc 1.

- (36) “**Costing Methodology Guiding Principles**” means the document set out in the Annex to Condition Acc 1.
- (37) “**Council**” means the National Consumer Council established by s.1 of the Consumers, Estate Agents and Redress Act 2007.
- (38) “**CP scheduled services**” means the products and services described in groupings and individually in lines 1 to 3 in Table 1 in the Annex to Condition CP 1 and more particularly defined in Table 2 in the Annex by reference to Controlled Services.
- (39) “**CP scheduled standards**” are the levels of performance, set out in column I in Table 1 of the Annex to Condition CP 1, that the Universal Service Provider ought reasonably to achieve in respect of the CP scheduled services, (whether by individual CP scheduled service or as a grouping of CP scheduled services where relevant), and the CP standardised measure, in the discharge of the obligation in Condition CP 1.3.
- (40) “**CP standardised measure**” means the measure referred to in line 4 in Table 1 in the Annex to Condition CP 1, covering the percentage of collection points served each day.
- (41) “**Damage**” means, in relation to a Code Postal Packet, any physical damage to a Code Postal Packet (other than damage caused by interference or accidental damage) occurring after the time of acceptance of that Code Postal Packet by the relevant regulated postal operator and before its delivery to the person to whom or at the premises to which it is addressed.
- (42) “**Delivered correctly**” means, in relation to a postal packet, delivered either to the named recipient or to the address on the postal packet.
- (43) “**Directive**” means the Directive of the European Parliament and the Council of the European Union of 15th December 1997 (No. 97/67/EC) on common rules for the development of the internal market of Community postal services and the implementation of quality of service as amended by the Directive of the European Parliament and the Council of the European Union of 10th June 2002 (No. 2002/39/EC) with regard to the further opening to competition of Community postal services and the Directive of the European Parliament and of the Council of 20 February 2008 (No.2008/6/EC) with regard to the full accomplishment of the internal market of Community postal services.
- (44) “**Door to Door Service**” means the Universal Service Provider’s service for the conveyance and delivery to every address in an area selected by the Universal Service Provider’s customer of unaddressed letters weighing up to 100 grams.
- (45) “**DUSP scheduled services**” means the products and services described in groupings and individually in lines 1 to 5 in Table 1 in the Annex to Condition DUSP 5 and more particularly defined in Table 2 in the Annex by reference to Controlled Services.
- (46) “**DUSP scheduled standards**” are the levels of performance, set out in column I in Table 1 of the Annex to Condition DUSP 5, that the Universal Service Provider

ought reasonably to achieve in respect of the DUSP scheduled services, (whether by individual DUSP scheduled service or as a grouping of DUSP scheduled services where relevant), and the DUSP standardised measures, in the discharge of the obligation in Condition DUSP 5.4.

(47) “**DUSP standardised measures**” means the measures referred to in lines 6 to 8 in Table 1 in the Annex to Condition DUSP 5, covering the percentage that all postcode areas should achieve, the percentage of delivery routes completed each day and the percentage of items delivered correctly.

(48) “**Existing Services**” means:

- i. the Universal Service Provider’s postal services the provision of which would, prior to the Appointed Day, have required the provider to hold a licence under the Postal Services Act 2000,
- ii. its postal services not falling within (i) which are part of the universal postal service,
- iii. its postal services not falling within (i) or (ii), and
- iv. its services or activities not comprising the provision of a postal service.

(49) “**Formula Year**” means a year ending on any 31 March. Formula years are numbered as follows:

<i>t =</i>	<i>Year to 31 March</i>
<i>0</i>	<i>2006</i>
<i>4</i>	<i>2010</i>
<i>6</i>	<i>2012</i>

with 1 added for each subsequent year from 2006 (and earlier years derived by subtraction).

(50) “**Funds**” means the pension funds known as the Royal Mail Pension Plan for the payment of pensions and deferred pensions to former employees and employees of the Universal Service Provider.

(51) “**GZone**” means one of the four zones by which postcode sectors are categorised:

- A – Urban;
- B – Suburban;
- C – Rural;
- D – London.

(52) “**Incident Guidelines**” means guidelines published from time to time by Ofcom relating to the nature of incidents of loss or theft of, damage to, or interference with, Code Postal Packets, which require urgent notification to Ofcom.⁷

⁷ For the purposes of this definition, we republish with this Notification the version applicable immediately prior to 1 October 2011, available at:

<http://stakeholders.ofcom.org.uk/binaries/post/archive/1970.pdf>

- (53) “**Interference**” means interference with a Code Postal Packet contrary to sections 83 or 84 of the Postal Services Act 2000.
- (54) “**Intermediary Agreement**” means an agreement other than a USP Access Agreement between a regulated postal operator and a Universal Service Provider under which that regulated postal operator delivers postal packets to the Universal Service Provider for subsequent conveyance.
- (55) “**Latest delivery time**” means, for each UK address, the time expressed in minutes past an hour by which the Universal Service Provider endeavours to make a delivery every working day in accordance with the Universal Service Provider’s classification, as at 1 December 2005, of addresses as either “urban” or “rural”.
- (56) “**Loss**” means the physical loss of a Code Postal Packet, other than as a result of:
- (a) having been stolen,
 - (b) being incorrectly addressed,
- at any time after the acceptance of that Code Postal Packet by the regulated postal operator and before its delivery to the person to whom or at the premises to which it is addressed. Save where the context otherwise indicates, loss includes a failure by the regulated postal operator to deliver that Code Postal Packet within 15 working days of its due day of delivery.
- (57) “**Mail Integrity Code**” means the document of that name annexed to Condition E 1.
- (58) “**Mail Integrity Objectives**” has the meaning given by paragraph 1.1 of the Annex to Condition E 1.
- (59) “**Material Change**”, for the purposes of Condition Acc 1, has the meaning set out in Condition Acc 1.20.
- (60) “**Methodological Principles**” means the document in Appendix D of the document published by the Postal Services Commission in March 2011 entitled “*Laying the foundations for a sustainable postal service*”⁸, as amended from time to time in accordance with Acc 1.6 to 1.8 of Condition Acc 1.
- (61) “**Miscellaneous Services**” means proof of delivery, recorded delivery, redirection services, private boxes transfer to PO box 12 months, response services licence fees and Ministerial pouch services.
- (62) “**Modal Price**” means, in any Formula Year, the price, after deduction of discounts, charged by the Universal Service Provider for the conveyance of postal packets at the mid weight for a Price Range for a Controlled Service under the tariff applicable within that service which made the greatest contribution to total revenue for the service in Formula Year $t = 0$.
- (63) “**OFT**” means the Office of Fair Trading.

⁸ Available at: <http://stakeholders.ofcom.org.uk/binaries/post/archive/1878.pdf>
see also: <http://stakeholders.ofcom.org.uk/binaries/post/archive/1880.pdf>

- (64) “**Partially sighted**” means having a standard of close-up vision, with spectacles, certified by an ophthalmologist, doctor or ophthalmic optician, of N12 (print size) or less.
- (65) “**Postal Common Operational Procedures Agreement**” means the default contract published by the Postal Services Commission and as amended in accordance with licences issued under the Postal Services Act 2000 until the Appointed Day (as modified from time to time in accordance with CP 5.5 to 5.7).
- (66) “**Postal Common Operational Procedures Code**” means the document entitled “*Common Operational Procedures – a Code of Practice*” set out in the Annex to Condition CP 5.
- (67) “**Postal facilities**” means the physical and human resources deployed by a regulated postal operator (and where relevant, by its contractors and agents) for the purpose of providing regulated postal services.
- (68) “**Postcode Address File**” has the meaning given in s.116(3) Postal Services Act 2000.
- (69) “**Postcode area**” means a geographical area indicated by the letters preceding the first number in the code, as the code is set out in the Postcode Address File.
- (70) “**Postcode district**” means a geographical area indicated by the (alphabetical) letters and numbers in a postcode preceding the space in the code, as the code is set out in the Postcode Address File.
- (71) “**Postcode sectors**” means the set of delivery points described by the outward part of the postcode and the numeric part of the inward element of the postcode, allocated and published by the Universal Service Provider.
- (72) “**Post office letter box**” includes any pillar box, wall box, or other box or receptacle provided by a postal operator for the purpose of receiving postal packets, or any class of postal packets, for onwards transmission by post.
- (73) “**Previous Control**” means Condition 21 of Royal Mail’s licence under the Postal Services Act 2000 as it applied from 1 April 2003 until 31 March 2006.
- (74) “**Price Point**” means any weight expressed in whole grams by reference to which a price for the conveyance of postal packets for a service may be determined and where a tariff provides for prices to depend also on the format of a postal packet and the same weight gives rise to different prices under different formats that weight shall comprise a distinct price point under each format.
- (75) “**Price Range**” means a weight range or a format and weight combination by reference to which a price for a Controlled Service is determined being a weight range or a format and weight combination set out in Table 1 of the tables published by the Universal Service Provider and approved by the Postal Services Commission for the purpose of the definition of Price Range in Condition 21 of the licence held by Royal Mail immediately prior to the Appointed Day under the Postal Services Act 2000.
- (76) “**Pricing in Proportion**” means the revised structure for the pricing of certain of the Universal Service Provider’s Controlled Services to be introduced in August

2006 and described in the statement of the Universal Service Provider referred to in paragraph T 4.11(c);

- (77) **“Qualifying legislative petitions and addresses”** means legislative petitions and addresses that comply with the conditions set out in the document published by Royal Mail in December 2010 entitled *“Arrangement for the conveyance of Addresses and Petitions to the Sovereign and Petitions to Parliament”*⁹.
- (78) **“Qualifying redress scheme”** means a redress scheme which is approved by Ofcom in accordance with Schedule 5 of the Act.
- (79) **“Reference Service”** means the Access Service corresponding to the Controlled Service specified in Condition USPA 4.1 that is used for the purpose of calculating md_{cit} and in the case of new specified postal services may be determined by Ofcom by direction.
- (80) **“Regulated postal operator”** means a postal operator which provides services in relation to which, had those services been carried out prior to the Appointed Day, it would have been required to hold a licence under the Postal Services Act 2000.
- (81) **“Regulated postal service”** means a postal service the provision of which, had it been carried out prior to the Appointed Day, would have required the provider to hold a licence under the Postal Services Act 2000.
- (82) **“Regulated Services”** means, in a Formula Year, all the Controlled Services as so defined for that Formula Year, the Miscellaneous Services, the Unpriced Services and Business Collections.
- (83) **“Regulatory condition”** means any condition of authorisation set by Ofcom under the Act.
- (84) **“Related person”** means
- (a) in relation to an undertaking within the meaning of section 1161 of the Companies Act 2006 (“the principal undertaking”), a parent or subsidiary undertaking of the principal undertaking or a subsidiary undertaking of a parent undertaking of the principal undertaking, in each case within the meaning of section 1162 of the Companies Act 2006, and
 - (b) in relation to any person (including such an undertaking), a connected person of that person within the meaning of section 286 of the Taxation of Chargeable Gains Act 1992.
- (85) **“Relevant consumer”** means a consumer of regulated postal services or of a service provided as part of the universal postal service, who is not a contract customer.
- (86) **“Relevant Employees”** means permanent, temporary, casual or part time employees or workers (including those under a contract for service), who are (or may be) involved in conveying, receiving, collecting, sorting, delivering or otherwise handling Code Postal Packets or who are reasonably likely to have access to Code Postal Packets in the course of their work.

⁹ Available at:

<ftp://ftp.royalmail.com/Downloads/public/cmwalk/doc/active/doc52200008/Addresses%20and%20Petitions%20December%2010.pdf>

- (87) “**Relevant postal packets**” means postal packets whose weight does not exceed 20 kg and whose dimensions fall within the minimum and maximum dimensions laid down in the Convention and Agreement concerning Postal Parcels adopted by the Universal Postal Union.
- (88) “**Relevant year**” means any year beginning on 1 April.
- (89) “**Retail Price Index**” means the General Index of Retail Prices (for all items) published by the Office of National Statistics (or by any body to which the functions of that Office may be transferred); and if that index is not published for any month means any substituted index or index figures published by that Office for that month; and, in the absence of any substituted index, such other index as Ofcom may, after consultation with the Universal Service Provider, determine.
- (90) “**RML**” means Royal Mail Letters, the business division of the Universal Service Provider that has or has had that designation and which is or has been principally responsible for providing specified postal services and includes any successors to that division. Royal Mail Letters excludes the business division of the Universal Service Provider known as ParcelForce Worldwide or any successors to that division.
- (91) “**Royal Mail**” means Royal Mail Group Limited, registered in England and Wales with company number 4138203.
- (92) “**Sales product**” means a product or service provided by RML as described on Royal Mail’s website.
- (93) “**Specified collection time**” means, in relation to an access point used in the provision of a service set out in Condition DUSP 1 or 2, that period of time within which the Universal Service Provider endeavours to make a collection every working day in accordance with the Universal Service Provider’s classification of such access points as at 1 December 2005 as either “commercial area”, “town/city area”, “rest of UK”, “deep rural”, “business box” or “Post Office branch”.
- (94) “**Specified postal services**” means the conveyance from one place to another (including the incidental services of receipt, collection and delivery) of postal packets.
- (95) “**Specified time period**” means the time period specified by the regulated postal operator in its complaint handling procedure or as otherwise agreed with a relevant consumer, as the maximum period that the regulated postal operator has to complete a consumer complaint before the relevant consumer who made that consumer complaint, or on whose behalf that consumer complaint was made, becomes entitled to refer that consumer complaint to a qualifying redress scheme.
- (96) “**SPHCC**” means Sales Product Handling Characteristic Combinations and more specifically those products whose sub-division is based upon the relevant measured characteristics (e.g. class, payment type, item size and handling method).
- (97) “**Stolen**” means misappropriated contrary to the Theft Act 1968.
- (98) “**Theft**” means misappropriation contrary to the Theft Act 1968.

- (99) **“Trading business”** means any business other than the business of a postal operator.
- (100) **“Universal Postal Union”** – means the specialised agency of the United Nations of that name.
- (101) **“Universal Service Provider’s Mail Characteristics Survey”** means the survey carried out by the Universal Service Provider at least annually to assess, among other things, the volumes of postal packets conveyed using the Universal Service Provider’s postal and other facilities.
- (102) **“Unpriced services”** means the following services: Return to sender as part of a Regulated Service, poste restante, Petitions to Parliament, Petitions to Her Majesty the Queen and Certificate of posting.
- (103) **“USP Access Agreement”** means an agreement between the Universal Service Provider and the regulated postal operator or customer entered into pursuant to Condition USPA 1 or USPA 2.
- (104) **“Vulnerable consumer”** means a consumer who cannot reasonably be expected to pursue a complaint on their own behalf.
- (105) **“Working day”** in Condition CP 7, 8 and 9 means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday.
- (106) **“Working day”** save where otherwise indicated has the meaning given in s.125 Postal Services Act 2000.
- (107) **“Zone”** means one of the Zones numbered 1 to 5 adopted by the Universal Service Provider as at 31 March 2006 for the purpose of setting prices on a basis that is not geographically uniform and “zonal” and other cognate terms shall be construed accordingly;

3. For the purpose of interpreting this Schedule—

- (a) except in so far as the context otherwise requires, words or expressions shall have the meaning assigned to them in paragraph 2 of this Part above and otherwise any word or expression shall have the same meaning as it has been ascribed for the purpose of Part 3 of the Act;
- (b) headings and titles shall be disregarded;
- (c) expressions cognate with those referred to in this Notification shall be construed accordingly;
- (d) the Interpretation Act 1978 (c. 30) shall apply as if this Part 1 and each of the conditions in Part 2 were an Act of Parliament;
- (e) Conditions shall be identified as follows:

Acc	means a USP accounting condition, pursuant to section 39 of the Act
CP	means a consumer protection condition, pursuant to section

	51 of the Act
DUSP	means a designated USP condition, pursuant to section 36 of the Act
E	means an essential condition, pursuant to section 49 of the Act
GA	means a general access condition, pursuant to section 50 of the Act
GUS	means a general universal service condition, pursuant to section 42 of the Act
N	means notification condition, pursuant to section 41 of the Act
T	means a transitory condition, pursuant to Schedule 9 paragraph 5(2) of the Act
USPA	means a USP access condition, pursuant to section 38 of the Act

- (f) where particular postal services are referred to by number, the number corresponds to the service as set out in the Annex to these definitions: Annex 1 – Definition of Controlled Services; and
- (g) The mathematical and other notational symbols set out in the left hand column in the table below are intended to be applied in the manner set out in the right hand column of the table –

Symbol	Meaning and application
Σ	The symbol sigma indicates that a range of values for a variable parameter should be summed and $\sum_{i=1}^{i=n} X_i$ indicates that where a parameter X has a number of different values dependent on the value of another parameter, i , which occur on n different occasions, then the values of X for all n different values of i are to be summed;
*	Indicates that the parameters occurring on either side of it in a formula should be multiplied together;
/	Indicates that the parameter occurring to the left of it in a formula should be divided by the parameter to the right of it;
Δ	Delta is used to indicate the change that occurs to the value of a parameter when moving from one set of circumstances or time to another;
<	When occurring in an expression such as $a < b$ means that the parameter represented by the letter a should meet the condition that it is less than the parameter represented by the letter b ;
>	When occurring in an expression such as $a > b$ means that the parameter represented by the letter a should meet the condition that it is greater than the parameter represented by the letter b ;

\leq	When occurring in an expression such as $a \leq b$ means that the parameter represented by the letter a should meet the condition that it is less than or equal to the parameter represented by the letter b ;
\geq	When occurring in an expression such as $a \geq b$ means that the parameter represented by the letter a should meet the condition that it is greater than or equal to the parameter represented by the letter b .

Annex 1 to the definitions – Definition of Controlled Service

Controlled Service means a service numbered 1-51 in the Table below, together with any new service falling within the same market or market segment as any existing Controlled Service; and for the purposes of this definition –

- (a) Ofcom may by direction determine into which market or market segment any postal service falls;
- (b) any determination by the Postal Services Commission prior to the Appointed Day that a service falls within the same market or market segment as a Controlled Service shall be deemed to be a determination by Ofcom;
- (c) all such services may be more fully defined by reference to such descriptions of them as are contained in a table of definitions approved by Ofcom; and the descriptions in the document entitled *Condition 4 Schedule of Services and Standardised Measures, Produced in accordance with Condition 4 paragraphs 2(a) and 3 of Royal Mail's Licence* dated September 2011 and published by Royal Mail Group plc (the "September 2011 Schedule")¹⁰ as amended from time to time shall be deemed to have been approved by Ofcom save that the numbering shall be interpreted as set out in the third column of the Table below;
- (d) For the purposes of Acc 1.21 and T 4.7 to 4.14:
 - i. Controlled Service 20A and 20B shall be regarded as the same service as Controlled Service 21,
 - ii. Controlled Service 34A and 34B shall be regarded as the same service as Controlled Service 35,
 - iii. Controlled Service 23 shall be regarded as the same service as Controlled Service 22,
 - iv. Controlled Service 37 shall be regarded as the same service as Controlled Service 36,
 - v. Controlled Service 31A and 31B shall be regarded as the same service as Controlled Service 31,
 - vi. Controlled Service 44A and 44B shall be regarded as the same service as Controlled Services 42 and 43 respectively; and
- (e) Controlled Services 19 to 23 and 30 to 38 include, where relevant, their sustainable Mail, Advertising Mail and Advertising Sustainable Mail equivalents, which may be amended by Ofcom by direction.

Table

No. s	Service	April 2008 Schedule
1	First Class mail not conveyed by other <u>Controlled Services</u> ;	1

10

<http://www2.royalmailgroup.com/sites/default/files/Condition%204%20a%20Scheduled%20Services%20and%20Standardised%20Measures%2021-09-2011v6.pdf>

2	First Class Metered;	2
3	Second Class mail not conveyed by other <u>Controlled Services</u> ;	3
4	Second Class Metered;	4
5	Standard Parcel;	5
6	Airmail Europe;	6
7	Airmail World Zone 1;	7
8	Airmail World Zone 2;	8
9	Surface Mail;	9
10	Response Services 1 st Class;	10
11	Response Services 2 nd Class;	11
12	First Class Postage Paid Impression (PPI) and, until 31 March 2012, Automated Standard Tariff Large Letter 1 st Class	12 and “No number” first row
13	Second Class Postage Paid Impression (PPI) and, until 31 March 2012, Automated Standard Tariff Large Letter 2 nd Class;	13 and “no number” second row
14	Special Delivery (Next Day) other than when sold to <u>users</u> having an account with the <u>Universal Service Provider</u> buying the service using their account;	14
15	Cleanmail OCR 1 st Class;	15
16	Cleanmail CBC 1 st Class;	16
17	Cleanmail OCR 2 nd Class;	17
18	Cleanmail CBC 2 nd Class;	18
19	Mailsort 120 OCR 1 st Class	19
20	Mailsort 120 CBC 1 st Class;	20
20A	Mailsort 70 OCR 1 st Class	
20B	Mailsort 70 CBC 1 st Class	

21	Mailsort 700 1 st Class;	33
22	Mailsort 1400 1 st Class, (this excludes Packets > 1kg);	34
23	Mailsort 1400 Residues 1 st Class, (this excludes Packets > 1kg);	26
24	Presstream 1 st Class, and excluding Packets > 1kg;	29
25	Presstream 2 nd Class, and excluding Packets > 1kg;	30
26	Packetpost 1 st Class, and excluding Packets > 1kg;	31
27	Packetpost 2 nd Class, and excluding Packets > 1kg;	32
28	Packetsort 8 1 st Class (including Flatsort 8 1 st Class), and excluding Packets > 1kg;	33
29	Packetsort 8 2 nd Class (including Flatsort 8 2 nd Class), and excluding Packets > 1kg;	34
30	Walksort 1 st Class, and excluding Packets > 1kg;	35
31	Mailsort 700 3 rd Class;	37
31A	Mailsort 70 OCR 3 rd Class;	
31B	Mailsort 70 CBC 3 rd Class;	
32	Mailsort 1400 3 rd Class (including Flatsort 1400 3) and excluding Packets > 1kg;	38
33	Mailsort 120 OCR 2 nd Class;	21
34	Mailsort 120 CBC 2 nd Class;	22
34A	Mailsort 70 OCR 2 nd Class;	
34B	Mailsort 70 CBC 2 nd Class;	
35	Mailsort 700 CBC 2 nd Class;	24
36	Mailsort 1400 2 nd Class (this excludes Packets > 1kg);	27
37	Mailsort 1400 Residues 2 nd Class (this excludes Packets > 1kg);	28
38	Walksort 2 nd Class and excluding Packets > 1kg;	36

39	Access 1400 and excluding Packets > 1kg;	39
40	Access 120 Letter;	40
41	Access 120 Flat & Packet and excluding Packets > 1kg;	41
42	Access 120 OCR;	42
43	Access 120 CBC;	43
44	Access 700 CBC;	44
44A	Access 70 OCR;	
44B	Access 70 CBC;	
45	Access Walksort and excluding Packets > 1kg;	45
46	Responsible Manual including 120, 1400, Walksort and excluding Packets > 1kg;	
47	Responsible Mech including 70 OCR, 70 CBC, 120 OCR, 120 CBC and 700 CBC;	
48	Advertising Manual including 120, 1400, Walksort and excluding Packets > 1kg;	
49	Advertising Mech including 70 OCR, 70 CBC, 120 OCR, 120 CBC and 700 CBC;	
50	Advertising Responsible Manual including 120, 1400, Walksort and excluding Packets > 1kg;	
51	Advertising Responsible Mech including 70 OCR, 70 CBC, 120 OCR, 120 CBC and 700 CBC.	

Part 2: regulatory conditions

- Acc 1.1 The Universal Service Provider shall:
- (a) maintain appropriate accounting and financial records in accordance with this condition,
 - (b) ensure (to the extent that its own accounting and financial records do not do so) that any related person or agent of the Universal Service Provider through whom the Universal Service Provider provides any specified postal service or any part of a service maintains appropriate financial and accounting records.
- Acc 1.2 Save to the extent that Ofcom has by direction in writing agreed otherwise, the records referred to in Acc 1.1 shall –
- (a) comply fully with the Costing Methodology Guiding Principles and the Methodological Principles,
 - (b) be such that if each of the Existing Services was carried on by a separate company incorporated under the Companies Act 2006, each of those companies would comply with subsections 386(1), (2) and (3) of that Act, and
 - (c) be kept for a period of six years.
- Acc 1.3 The Universal Service Provider shall maintain a Costing Manual which gives a detailed description of the costing methodology and all sources of data used or referred to in it, as amended from time to time, and complies with the Costing Methodology Guiding Principles and the Methodological Principles. Where Ofcom identifies any areas where the Costing Manual prepared by the Universal Service Provider does not comply with these requirements, the Costing Manual will be deemed to comply with these requirements if the Universal Service Provider gives undertakings in a form satisfactory to Ofcom that any such areas of non-compliance will be resolved in a reasonable time and the Universal Service Provider meets the terms of such undertakings.
- Acc 1.4 The Costing Manual may only be changed in accordance with the process set out in Acc 1.9-1.20 or in order to fulfil any undertaking given under Acc 1.3.
- Acc 1.5 The Universal Service Provider shall publish the Costing Manual on its website and shall otherwise make physical copies available to third parties for a reasonable charge and upon reasonable request and shall permit Ofcom to publish the Costing Manual on its website, in the form required by Ofcom. For so long as the Costing Manual retains its current form, the Universal Service Provider may withhold from publication the contents of the technical appendices to the Costing Manual but must publish a list of the headings of such technical appendices.
- Acc 1.6 Both the Universal Service Provider and Ofcom may propose changes to the Methodological Principles.

- Acc 1.7 On application by the Universal Service Provider for a change to the Methodological Principles the Universal Service Provider must provide the following information to Ofcom:
- (a) a full explanation as to how the proposed change complies with the Costing Methodology Guiding Principles together with such other supporting evidence as Ofcom considers necessary, and
 - (b) an adequate description of the likely consequential effects on the Costing Manual.
- Acc 1.8 No change to the Methodological Principles may be implemented without prior consultation with interested parties and the Universal Service Provider's consent. Any such change will be made by Ofcom by direction in writing which shall be published.
- Acc 1.9 Except as provided for in Acc 1.4 the Universal Service Provider may only modify the Costing Manual in accordance with the following procedure.
- Acc 1.10 Except as otherwise provided in Acc 1.13, the Universal Service Provider shall notify to Ofcom any proposed change to the Costing Manual which amounts to a Material Change and shall not implement such change unless and until Ofcom so directs in accordance with Acc 1.16. In support of such notification and subject to Acc 1.12, the Universal Service Provider shall provide Ofcom with an impact assessment in a form as agreed with Ofcom (agreement which shall not be unreasonably withheld) in respect of such proposed change.
- Acc 1.11 The impact assessment shall, unless Ofcom agrees otherwise in writing, include an assessment of the consequential financial changes (had the proposed change been made before the start of the relevant financial periods) in the regulatory financial statements provided to Ofcom in accordance with Acc 1.21 (as applicable) for the previous financial year and any previous quarterly reports (if any) of the current financial year and any other period which the Universal Service Provider considers appropriate. The Universal Service Provider may undertake such impact assessments at the level of the relevant Sales Product where appropriate.
- Acc 1.12 The Universal Service Provider shall not, in respect of Material Changes arising from the introduction of a new, or deletion of an existing, Activity or SPHCC (other than SPHCCs to which Acc 1.13 applies) which has a consequential financial effect of less than £0.5m, be required to provide the impact assessment referred to in Acc 1.10 provided that Acc 1.15 to 1.19 continue to apply.
- Acc 1.13 If at the end of a quarter in any financial year it becomes apparent to the Universal Service Provider that new SPHCCs have been used during that quarter without the processes in Acc 1.9 to 1.19 being followed, the Universal Service Provider shall:

- (a) promptly (and in any event within 42 days from the end of that quarter) provide a list of all such SPHCCs to Ofcom but shall be permitted to make changes to the Costing Manual to reflect the new SPHCCs; and
- (b) within 50 days of the end of the quarter provide the relevant impact assessments referred to in Acc 1.10 in relation to all such new SPHCCs which have a consequential financial effect of £0.5m or more.
- Acc 1.14 Upon Ofcom confirming to the Universal Service Provider that it has received all information specified in Acc 1.13, Ofcom shall have 7 days to inform the Universal Service Provider of the matters referred to in Acc 1.15. Acc 1.16 and 1.17 shall apply provided that if an inconsistency is identified under Acc 1.17 the Universal Service Provider shall have 14 days to remedy such non-compliance from the date on which it receives the relevant notification.
- Acc 1.15 Upon Ofcom confirming to the Universal Service Provider that it has received all the information referred to in Acc 1.10, Ofcom shall determine:
- (a) whether Ofcom considers the proposed change amounts to a Material Change; and
- (b) if so, whether (provisionally) the proposed change is consistent with the Costing Methodology Guiding Principles and the Methodological Principles.
- Acc 1.16 If Ofcom finds that a proposed change is consistent with the Costing Methodology Guiding Principles and the Methodological Principles it shall promptly give its consent to the proposed change by direction in writing¹¹.
- Acc 1.17 If Ofcom finds that a proposed change is inconsistent with any of the Costing Methodology Guiding Principles or the Methodological Principles, it shall promptly notify the Universal Service Provider and provide reasons for its decision.
- Acc 1.18 Without prejudice to Acc 1.13, changes which the Universal Service Provider considers do not amount to Material Changes may be made without Ofcom's prior consent provided that any such changes made to the Costing Manual during a particular quarter are notified to Ofcom not later than 42 days after the date on which the relevant quarter ended.
- Acc 1.19 As part of its annual regulatory reporting, the Universal Service Provider shall provide a statement prepared by the Auditors (following sampling) confirming that the Universal Service Provider has complied with the processes set out in Acc 1.9 to 1.20 such that all changes it has made to its Costing Manual have either been approved by Ofcom in accordance with Acc 1.16 or were not Material Changes.

¹¹ Any consent under Acc 1.16 would be subject to a statutory consultation period of 1 month.

- Acc 1.20 For the purposes of Acc 1.9 to 1.19, a Material Change means any change to which Principle 17(b) of the Methodological Principles applies, such that:
- (a) the numerical consequence of any such change exceeds the threshold for materiality set out in Principle 17(b) of the Methodological Principles; or
 - (b) that change is a Connected Change in relation to other changes that have been made or the Universal Service Provider is planning to make in the relevant quarter or has made during the previous quarter (in the same financial year), and the combined value of which exceeds the threshold for materiality set out in Principle 17(b) of the Methodological Principles.
- Acc 1.21 Save to the extent that Ofcom agrees otherwise by direction in writing, the Universal Service Provider shall, in each financial year, produce an income statement, balance sheet and cash flow statement for each of the Existing Services (i) to (iv).
- Acc 1.22 The Universal Service Provider shall submit the regulatory financial statements referred to in Acc 1.21 to Ofcom before the expiry of four months from the end of the financial year to which they relate and shall publish, and permit Ofcom to publish, such accounts.
- Acc 1.23 The regulatory financial statements referred to in Acc 1.21 shall include notes setting out the accounting policies adopted together with a reconciliation to the audited accounts prepared by the Universal Service Provider and where appropriate, its subsidiaries, pursuant to the Companies Act 2006.
- Acc 1.24 The obligations in Acc 1.24 to 1.25 apply only for the financial year beginning 28 March 2011 and shall terminate on the later of the date four months from the end of such financial year or the delivery of the agreed regulatory financial statements.
- Acc 1.25 The Universal Service Provider shall produce and provide to Ofcom the regulatory financial statements, and fulfil the related obligations, as set out in the Accounting Separation Commitments.
- Acc 1.26 The Accounting Separation Commitments may be changed by written agreement between the Universal Service Provider and Ofcom.

Acc 1.27 The Universal Service Provider shall cause the following be provided annually by Auditors:

(a) an audit of the accounts referred to in Acc 1.21. The Auditors shall be required to report on

(i) the compliance of such accounts with the requirements of this condition (as applicable),

(ii) whether such accounts fairly present the financial situation of each of the Existing Services for the financial year and at the time to which they relate and have been properly prepared in accordance with the requirements of this condition.

(b) the statement required by Acc 1.19.

Acc 1.28 The Universal Service Provider shall furnish the Auditor's report to Ofcom within four months of the end of the financial year to which it relates.

Annex to Condition Acc 1 - Costing Methodology Guiding Principles

If there is conflict between the requirements of any of the Guiding Principles, the Principles are to be applied in the order in which they appear below.

1. Compliance with the Directive

The Costing Methodology must comply with the Directive.

2. Completeness

The Costing Methodology must take into account all the relevant RML costs captured in Royal Mail's financial records including all the relevant costs recorded in Royal Mail Letters' General Ledger.

The Costing Methodology must cost all Sales Products.

3. Causality

The Costing Methodology must assign General Ledger costs to Activities that cause those costs to be incurred.

The Costing Methodology must assign Activity Costs to those Sales Products that are provided as a result of, or are supported by, those Activities.

4. Objectivity

Each element of the Costing Methodology must, as far as possible, be based on, or take account of all the available financial and operational data that is relevant to that element.

Where an element of the Costing Methodology is based on assumptions, those assumptions must be justified and supported, as far as possible, by all available relevant empirical data. The assumptions must not be formulated in a manner which unfairly benefits Royal Mail Letters or any other operator, or creates undue bias towards any Sales Product or Activity.

5. Accuracy

The Costing Methodology must maintain an adequate degree of accuracy throughout the costing process in both extracting and processing data.

An adequate degree of accuracy means the costing process is free from material errors, including any double-counting (see Principle 9 for the definition of materiality).

6. Compliance with the International Financial Reporting Standards (IFRS)

The Costing Methodology must comply with IFRS, to the extent that Royal Mail's statutory accounts comply with IFRS, with the exception of any departure from IFRS in the preparation of those statutory accounts which is expressly disclosed in the statutory accounts.

7. Consistency

The Methodological Principles must be consistent with the Guiding Principles.

The Costing Methodology (as documented in the Costing Manual) must be consistent with the Methodological Principles.

As far as possible, the Costing Methodology must be applied to all elements of costing consistently. All differences in application must be justified by reference to the Methodological Principles or Guiding Principles.

As far as possible, the Costing Methodology must be applied consistently over time. All changes from one period to another must be justified in accordance with the change control procedures, and by reference to the Methodological Principles or changes in them, or by reference to the Guiding Principles.

8. Transparency

The Methodological Principles must be published by Royal Mail. The detailed Costing Methodology must be clearly documented in Royal Mail's Costing Manual. The Costing Manual must contain the level of detail necessary to allow a user of the Costing Manual, with a reasonable degree of professional skill, to gain a clear understanding of a given calculation carried out through the application of the Costing Methodology without the need for further instruction or interpretation.

9. Materiality

The Guiding Principles 1 to 8 must be applied to all material costs, or material changes in costs.

A material cost, or a material change in a cost, is one which is reasonably expected to affect the views of a competent user of Royal Mail Letters' regulatory reports and costing results.

- CP 1.1 The Universal Service Provider shall at all times maintain an up to date schedule in writing of the CP scheduled services and the CP standardised measure. The schedule shall specify the routing times, the regularity and the reliability of services to be achieved. The schedule shall specify minimum levels of performance in respect of each of the CP scheduled services and the CP standardised measure which shall be no less demanding for the Universal Service Provider than the CP scheduled standards set out in the Annex to this Condition CP 1.
- CP 1.2 A regulated postal operator, in relation to a regulated postal service or a universal postal service, shall use reasonable endeavours to –
- (a) collect postal packets from its customers as agreed with them; and
 - (b) deliver appropriately, or procure the delivery of, any postal packets it receives in the course of its business as a postal operator, within a reasonable time.

- CP 1.3 Except as Ofcom may by direction determine, the Universal Service Provider shall use all reasonable endeavours to provide the CP scheduled services and perform the CP standardised measure to the highest possible extent, having regard to all the circumstances. In the application of this obligation –
- (a) if the performance of the Universal Service Provider in respect of any grouping of CP scheduled services or the CP standardised measure in any period of 12 months ending on 31 March each year (excluding the Christmas period) meets or exceeds the relevant CP scheduled standard the Universal Service Provider shall be deemed to have used all reasonable endeavours in respect of that grouping of CP scheduled services or CP standardised measure;
 - (b) if the performance of the Universal Service Provider
 - (i) in respect of any grouping of CP scheduled services in any period of 12 months ending on 31 March each year (excluding the Christmas period) is 5 per cent or more below the relevant CP scheduled standard, or
 - (ii) in respect of the CP standardised measure in any period of 12 months ending on 31 March each year (excluding the Christmas period) is 0.5 per cent or more below the relevant CP scheduled standard.

the Universal Service Provider shall be presumed, subject to consideration of evidence in rebuttal, not to have used all reasonable endeavours in respect of it, unless Ofcom has indicated by direction in writing, following consideration of information submitted by the Universal Service Provider, that it is satisfied that the Universal Service Provider has complied with its obligation to use all reasonable endeavours in respect of it;
 - (c) where the performance of the Universal Service Provider in respect of any grouping of CP scheduled services in any period of twelve months ending on 31 March in any year (excluding the Christmas period) is below the level shown for that grouping of CP scheduled services by less than 5 per cent but the performance of the Universal Service Provider, in respect of any generic product or service within that grouping during the same period is 5 percent or more below the level of the relevant CP scheduled standard, the CP scheduled standards for that grouping shall apply to that generic product or service as if the generic product or service were a single CP scheduled service although there shall be no presumption of failure to use all reasonable endeavours in respect of that generic product or service.
- CP 1.4 The Universal Service Provider must measure and publish on a quarterly basis in such a manner as Ofcom may direct the percentage of collections (including Business Collections) in the United Kingdom that are made every working day from all post office letter boxes and other access points used in the provision of a universal service in the United Kingdom at or after the final time of collection advertised on the access point.

- CP 1.5 The Universal Service Provider shall monitor its performance of the CP scheduled services, in relation to the CP scheduled standards using a testing methodology that –
- (a) is representative of the range of services and customers for whom these CP scheduled standards are relevant and which is capable of providing results with measurable statistical significance,
 - (b) is applied independently of the Universal Service Provider, and
 - (c) is compliant with Article 16 of the Directive.
- CP 1.6 The Universal Service Provider shall permit and cooperate with audit of its monitoring pursuant to CP 1.5 by persons appointed by Ofcom with the agreement of the Universal Service Provider which shall not be unreasonably withheld.
- CP 1.7 The Universal Service Provider shall monitor its performance of the CP standardised measure, in relation to the CP scheduled standards, and CP 1.4 using a measurement methodology that –
- (a) is representative of the range of services and customers for whom this standardised measure is relevant, and
 - (b) is compliant with Article 16 of the Directive.
- CP 1.8 The Universal Service Provider, shall appoint an independent person to test and give opinion on the suitability of the methodology used for the purpose of CP 1.7, and on the extent and consistency of its application.
- CP 1.9 Except as Ofcom has by direction in writing indicated otherwise, the Universal Service Provider shall monitor its performance in the provision of Controlled Services 39 to 51 and each variant thereof (including the Walksort service in Controlled Services 46, 48 and 50), in the manner provided for in CP1.5 and CP 1.6.

- CP 1.10 Except as Ofcom may by direction determine, the Universal Service Provider shall
- (a) submit written quarterly reports on its % performance in respect of each of the groupings of CP scheduled services and the corresponding generic products and services (as set out in Table 2 in the Annex to this condition CP 1) and the CP standardised measure, relative to each of the corresponding CP scheduled standards and of its performance in respect of CP 1.4 to Ofcom and to the Council, not later than two months from the end of the quarter to which they relate;
 - (b) include with each report submitted for a quarter ending on 31 December in any reporting year, a statement of the action the Universal Service Provider intends to take in the following reporting year, in order to ensure the discharge of the obligation in CP 1.3 and Ofcom may by direction make provision as to the form of this statement;
 - (c) publish and submit to Ofcom and to the Council not later than two months from the end of each Christmas period, a written report on its performance in respect of each of the generic products and services (as set out in Table 2 in the Annex to this condition CP 1) and of the CP standardised measure relative to each of the corresponding CP scheduled standards save that the performance for each shall be measured on average throughout the Christmas period and the relevant CP scheduled standards interpreted accordingly.
 - (d) publish and submit to Ofcom and to the Council a written annual report on its performance in respect of each of the groupings of CP scheduled services, and the corresponding generic products and services (as set out in Table 2 in the Annex to this condition CP 1), and the CP standardised measure, relative to each of the corresponding CP scheduled standards (containing adjusted results in addition to unadjusted results where appropriate) for each period of twelve months, ending on 31 March and not later than three months from that date unless otherwise agreed by Ofcom.
- CP 1.11 Except as Ofcom may by direction determine, the Universal Service Provider shall include in any report submitted under CP 1.10 details of its performance in respect of Controlled Services 39 to 51 and each variant thereof (including the Walksort service in Controlled Services 46, 48 and 50), in terms of the percentage of letters delivered by the end of the first working day after the day of collection or receipt by the Universal Service Provider.
- CP 1.12 The Universal Service Provider shall at all times maintain a scheme to be known as the “standards of service compensation scheme” for compensating users of postal services affected by failure to meet the quality standards applicable in accordance with the scheduled standards in respect of any postal packet.

- CP 1.13 Subject to modification in accordance with CP 1.21 to 1.25, the standards of service compensation scheme shall provide, as minimum benefits to users of the Universal Service Provider's postal services, the benefits provided for in the document entitled "Standards of Service Compensation Scheme of Royal Mail Group Ltd", published by the Postal Services Commission on 18 November 2008¹².
- CP 1.14 The standards of service compensation scheme shall provide for the Universal Service Provider paying, to any such person as is mentioned in CP 1.12, such compensation as may be specified in the scheme as being appropriate.
- CP 1.15 The Universal Service Provider shall meet its obligations under the standards of service compensation scheme.
- CP 1.16 The Universal Service Provider must provide to Ofcom and to the Council an annual report on: -
- (a) the operation of the standards of service compensation scheme, and
 - (b) the operation of the Universal Service Provider's compensation scheme for loss and damage
- setting out for the United Kingdom as a whole, and, except as Ofcom may otherwise agree in writing, for each of the postcode areas, not later than three months from the end of the year to which they relate,
- (i) the number of complaints received incorporating the number of claims for compensation made,
 - (ii) the number of claims for compensation in relation to which compensation was paid, and
 - (iii) the amount of compensation (including any payments in lieu of compensation) that was paid,
- in each case broken down by not less than ten of the main causes of the claims.
- CP 1.17 The report submitted under CP 1.16 shall be accompanied by a statement of the action the Universal Service Provider intends to take in the year following submission of the report to address the causes of claims for compensation, in so far as those actions are not set out in reports submitted pursuant to Condition E 1 on the operation of the Universal Service Provider's mail protection procedures.
- CP 1.18 The Universal Service Provider shall publish the schedule required by CP 1.1, the reports required by CP 1.10 and CP 1.16, particulars of the standards of service compensation scheme and the statement required by CP 1.17 in such

¹² Available at <http://stakeholders.ofcom.org.uk/binaries/post/archive/875.pdf>

manner as will ensure reasonable publicity for them.

- CP 1.19 The Universal Service Provider shall not assert copyright against, or otherwise oppose, any publication arranged by Ofcom or the Council of those documents referred to in CP 1.18.
- CP 1.20 The Universal Service Provider shall make copies of the documents referred to in CP 1.18 available free of charge to any person requesting them.
- CP 1.21 The Universal Service Provider shall not amend the schedule required by CP 1.1 or the standards of service compensation scheme required by CP 1.11 save in accordance with the following procedure.
- CP 1.22 The Universal Service Provider shall offer to review the standards in the schedule and the standards of service compensation scheme with the Council in every second year, and shall discuss in good faith with the Council and endeavour to agree modifications that are appropriate in the interests of users of the relevant services for the period until the next review.
- CP 1.23 If the Council recommends to the Universal Service Provider, following this review, that the standards in the schedule or the standards of service compensation scheme should be changed, and if Ofcom advises the Universal Service Provider in writing that it is of the view that the changes recommended by the Council should be made, or made with modifications, then the Universal Service Provider shall either –
- (a) alter the standards in the schedule or the standards of service compensation scheme in the manner recommended by the Council, with any modifications advised by Ofcom, or
 - (b) advise both the Council and Ofcom in writing that it declines to alter the standards in the schedule or the standards of service compensation scheme in the manner aforesaid and publish in such manner as Ofcom may direct the full reasons for its decision.
- CP 1.24 The schedule or the standards of service compensation scheme may be amended by the Universal Service Provider at any time with the agreement of the Council or Ofcom provided, in the case of amendments agreed with the Council, that not less than three months' notice of the proposed amendments has been given to Ofcom and Ofcom has not within two months of being notified directed that the proposed amendments not be made.
- CP 1.25 The Universal Service Provider shall ensure that Ofcom and the Council are provided with up to date copies of the schedule and standards of service compensation scheme promptly when any change is made to each.

Annex to condition CP 1**Table 1**

		Performance bands			
		I	II	III	IV
	CP scheduled services	Standard (%)	No automatic consequences (%)	Users receive price reductions (%)	Ofcom considers investigation (%)
1	Grouping 3: Bulk first class	91.0	<91.0 but >86.0	n/a	86.0 or less
2	Grouping 4: Bulk second class	97.5	<97.5 but >92.5	n/a	92.5 or less
3	Grouping 5: Bulk third class	97.5	<97.5 but >92.5	n/a	92.5 or less
CP standardised measures					
4	% of <u>collection points</u> served each day	99.90	<99.90 but >99.80	99.80 to >99.40	99.40 or less

Notes

1. The CP scheduled services in rows 1 to 3 of Table 1 above are more particularly described by reference to Controlled Services as shown in Table 2 below:

Table 2

<u>CP scheduled services referred to in table above</u>	Generic products	<u>Controlled Services</u>
Bulk first class	PPI 1c	12, 15, 16, 26, 28
	Mailsort 1	19, 20, 20A, 20B, 21, 22, 23, 30
	Presstream 1	24
	Response services 1	10 ¹³
Bulk second class	PPI 2c	13, 17, 18, 27, 29
	Mailsort 2	33, 34, 34A, 34B, 35, 36, 37, 38
	Response Services 2	11 ¹⁴
	Presstream 2	25
Bulk third class	Mailsort 3	31, 31A, 31B, 32

2. The standards for the CP scheduled services show the percentages of letters that should meet the service requirements of delivery by the end of the first, third or seventh working day for first class services, second class and third class services respectively, in each case after the day of collection or receipt by the Universal Service Provider.

¹³ Excluding Freepost name and Packetpost Returns.

¹⁴ Excluding Freepost name and Packetpost Returns.

3. The percentages for each standard are to be measured on average in the United Kingdom as a whole throughout the periods of 12 months ending on 31 March in each year, excluding the Christmas period.

- CP 2 A postal operator shall at all times meet its obligations under any scheme made under section 89 of the Postal Services Act 2000.
- CP 3.1 Within the period of three months from the commencement of conveyance of letters, a regulated postal operator other than the Universal Service Provider shall establish systems adequate for measuring (using sampling methods if appropriate) and recording its performance in achieving its contract targets.
- CP 3.2 No later than 3 months after the end of each financial year a regulated postal operator other than the Universal Service Provider shall submit to both Ofcom and the Council a report in relation to its performance in achieving its contract targets in such financial year.
- CP 3.3 The regulated postal operator shall consent to the publication by Ofcom and/or the Council of any report submitted to that body by the regulated postal operator pursuant to this Condition, provided that the regulated postal operator has been notified of the relevant body.
- CP 4.1 For the purposes of this Condition, any direction issued and not withdrawn by the Postal Service Commission shall be deemed to be a direction issued by Ofcom in relation to the corresponding text of this Condition. For the avoidance of doubt, corresponding text may be identified as follows:

(a) Directions issued prior to 30 March 2011

Reference in Direction to paragraph number	Corresponding text in this Condition
2	CP 4.5
3	CP 4.6
4	CP 4.7
5	CP 4.11-12

(b) Directions issued on or since 30 March 2011

Reference in Direction to paragraph number	Corresponding text in this Condition
2	CP 4.5
3	CP 4.6
4	CP 4.7
5	CP 4.8-9
6	CP 4.10
7	CP 4.11-12

In any such Direction:

References to Condition 7 of the Licensee's Licence shall be deemed to be references to this Condition;

References to the Licence shall be deemed to be references to Regulatory Conditions.

References to the Licensee shall be deemed to be references to the Universal Service Provider;

References to “licensed and non-licensed services” shall be deemed to be references to specified postal services;

“Postcomm” shall be deemed to mean the Postal Services Commission insofar as it refers to actions taking place prior to the Appointed Day and Ofcom insofar as it refers to actions taking place thereafter; and

“Postwatch” shall be deemed to mean the Council.

- CP 4.2 For the purposes of this Condition, the market power determinations made by the Postal Services Commission in its decision dated November 2010 shall be deemed to be determinations made by Ofcom¹⁵.
- CP 4.3 This Condition shall apply to the extent that the information referred to in CP 4.5(a)-(d) is not made available to users of postal services pursuant to any other regulatory condition.
- CP 4.4 Ofcom may vary or amend the application of CP 4.5, 4.6, 4.10 and 4.12 by direction.
- CP 4.5 Subject to CP 4.8 to 4.14 , the Universal Service Provider shall submit to Ofcom and the Council a statement setting out –
- (a) details of the tariffs (including discounts and credit facilities), standards of service and compensation arrangements under which the Universal Service Provider offers to provide specified postal services (other than specified postal services offered under the Parcelforce brand which were offered on 1 April 2006 or which may be offered subsequently and which are substantially similar to those services),
 - (b) details of the general conditions of, and the physical provisions for, access to such services offered by the Universal Service Provider,
 - (c) details of any services offered by the Universal Service Provider specifically for customers who are blind and partially sighted, disabled or chronically sick, of pensionable age, with low incomes or residing in rural areas, and
 - (d) a summary of the Universal Service Provider's performance against its standards of service in the year for which it most recently has become due to submit an annual report to Ofcom under CP 1.16.

¹⁵<http://stakeholders.ofcom.org.uk/binaries/post/archive/1158.pdf>

- CP 4.6 Subject to CP 4.8 to 4.12, the Universal Service Provider shall notify Ofcom and the Council promptly in writing of any changes to the matters referred to in any statement submitted pursuant to CP 4.5 not less than three months before any such changes come into effect.
- CP 4.7 The Universal Service Provider shall –
- (a) publish the statements and notifications required to be submitted under CP 4.5 and 4.6 as soon as reasonably practicable after their submission in such manner as will ensure reasonable publicity for them,
 - (b) not assert copyright against, or otherwise oppose, any publication arranged by Ofcom or by the Council of the statements and notifications,
 - (c) make copies of the statements and notifications available free of charge to any person requesting them, and
 - (d) place copies of the statements and notifications on any relevant website it operates or controls.
- CP 4.8 If the Universal Service Provider intends to offer any new specified postal service, the Universal Service Provider shall, not less than 3 months before such offer is intended to come into effect, submit to Ofcom,
- (a) the information required in the statement to be provided pursuant to CP 4.5, as applicable,
 - (b) a statement providing sufficient information of good quality to enable Ofcom to determine (by direction) the relevant market or market segment to which the specified postal service belongs.
- CP 4.9 The Universal Service Provider shall submit to the Council, and publish, the information in CP 4.5 in relation to any new specified postal service:
- (a) where the specified postal service belongs in a market or market segment in relation to which the Universal Service Provider has been determined by Ofcom not to have market power, consistently with the Direction made by the Postal Services Commission on 30 March 2011;
 - (b) in all other circumstances not less than 3 months before the offer to provide the new specified postal service is intended to come into effect.
- CP 4.10 Ofcom may determine the relevant market or market segment to which the new specified postal service belongs by direction.
- CP 4.11 The Universal Service Provider may submit to the Council, and publish, the statement required under CP 4.5 above in such manner as will ensure reasonable publicity for it, in accordance with CP4.9 before Ofcom has decided to determine by direction whether or not the service belongs in a market in relation to which the Universal Service Provider has been determined not to

have market power.

- CP 4.12 Ofcom may, in making a direction determining the market to which a new specified postal service belongs, also specify different deadlines for submission and publication (including re-submission and re-publication) of any of the information in CP 4.5.
- CP 4.13 CP 4.8 to 4.12 shall not apply to:
- (a) trials which remain subject to the obligations imposed pursuant to the Direction made by the Postal Services Commission on 16 August 2007; and
 - (b) Tailor Made Incentives which remain subject to the obligations imposed pursuant to the Direction made by the Postal Services Commission on 17 November 2009.
- CP 4.14 In relation to prices and terms applicable to contracts for the conveyance of postal packets entered into by the Universal Service Provider following a competitive tendering process conducted by a user which is open to other postal operators and to which such operators can reasonably be expected to be capable of responding, CP 4.5, 4.6, and 4.8 to 4.12 shall not apply but the Universal Service Provider shall within seven days of entering into any such contract, provide to Ofcom a copy of it, or, if a written contract has not then been concluded, a summary of its main terms including:
- i. duration of contract,
 - ii. prices charged (or the mechanism for the determination of prices),
 - iii. weight and format of postal packets that will be conveyed,
 - iv. volumes anticipated by the contract,
 - v. sortation requirements,
 - vi. points at which mail may be injected into the Universal Service Provider's postal network,
 - vii. times as which mail may be injected into the Universal Service Provider's postal network,
 - viii. target delivery times for delivery by the Universal Service Provider and the percentage of letters to be delivered within such targets,
 - ix. the distribution of volumes of letters between postcode districts envisaged in the contract, and
 - x. name of the customer;

followed by a copy of the written contract within seven days of its conclusion, and in each case a statement of the differences from the Universal Service Provider's standard terms for the most closely comparable Controlled Service or

Controlled Services.

CP 4.15 The Universal Service Provider shall publish a statement within 21 days of the expiry of every calendar month of the main terms of each contract for the conveyance of postal packets entered into by the Universal Service Provider in that month, which has been entered into following a competitive tendering process conducted by a user which is open to other postal operators and to which such operators can reasonably be expected to be capable of responding. The statement shall contain the following information:

- (i) duration of contract,
- (ii) prices charged (or the mechanism for the determination of prices),
- (iii) weight and format of postal packets that will be conveyed,
- (iv) volumes anticipated by the contract,
- (v) sortation requirements,
- (vi) points at which mail may be injected into the Universal Service Provider's postal network,
- (vii) times as which mail may be injected into the Universal Service Provider's postal network,
- (viii) target delivery times for delivery by the Universal Service Provider and the percentage of letters to be delivered within such targets, and
- (ix) the distribution of volumes of letters between postcode districts envisaged in the contract.

The statement shall be published in a manner that will give reasonable publicity to it.

CP 5.1 Unless Ofcom otherwise consents, each regulated postal operator shall comply with the Postal Common Operational Procedures Code.

CP 5.2 Unless Ofcom otherwise consents, a regulated postal operator shall become and remain a party to the Postal Common Operational Procedures Agreement which shall apply insofar as:

- (a) it is consistent with, and deals with matters not provided for in, the terms and conditions of any Access Agreement, Intermediary Agreement, USP Access Agreement or Access Code to which the regulated postal operator is a party; and
- (b) the regulated postal operator has not established alternative arrangements with other regulated postal operators relating to the treatment of misdirected mail and miscollected mail.

- CP 5.3 Unless Ofcom otherwise consents, a regulated postal operator shall at all times refrain from acting in a manner which is inconsistent with the Code Objectives or which is likely to prejudice the effective functioning of the Postal Common Operational Procedures Code;
- CP 5.4 If nominated by Ofcom by direction in writing given for the purposes of this Condition generally to the office of Secretary of the Postal Common Operational Procedures Agreement, perform the functions of that office in an efficient, timely, impartial and professional manner, subject to reimbursement by Ofcom of the costs reasonably incurred in the discharge of those functions.
- CP 5.5 The Postal Common Operational Procedures Agreement shall be modified in accordance with this paragraph if:
- (a) Ofcom has received a proposal to change the Postal Common Operational Procedures Agreement from a person entitled under its provisions to make such a proposal, and
 - (b) that proposal has been submitted to Ofcom in the manner, and containing the information, provided for in the Postal Common Operational Procedures Agreement, and
 - (c) Ofcom:
 - (i) is of the opinion that modification of the Postal Common Operational Procedures Agreement in the manner proposed will enable the Code Objectives better to be fulfilled and that such modification is consistent with its statutory duties,
 - (ii) has given notice of the proposed modification in accordance with CP 5.6 and 5.7,
 - (iii) has considered any representations made in accordance with that notice and not withdrawn, and
 - (iv) has directed by a direction given for the purpose of this Condition generally that the proposed modification be made.
- CP 5.6 A notice under CP 5.5(c)(ii) shall be in accordance with this paragraph if it states:
- (a) that Ofcom proposes to make the modification,
 - (b) the effect of the proposed modification,
 - (c) the reasons for the proposed modification, and
 - (d) the period (of not less than 28 days starting with the date of publication of the notice) within which representations may be made in relation to the proposed modification.

- CP 5.7 A notice under 5.5(c)(ii) shall be in accordance with this paragraph if it is given by:
- (a) serving a copy of the notice on each of the parties to the Postal Common Operational Procedures Agreement as at the date of such notice and on the Council, and
 - (b) publishing the notice in such manner as Ofcom considers appropriate for the purpose of bringing the matters included in the notice to the attention of persons likely to be affected by them.

Annex to condition CP 5 – Common Operational Procedures – A Code of Practice

1 Introduction

- 1.1 This is the Code of Practice covering common operational procedures for handling misdirected or miscollected mail and misdirected complaints or other enquiries. Its purpose is to achieve the following objectives in respect of such matters (the “**Code Objectives**”):
- (a) the furtherance of the interests of Users of Postal Services;
 - (b) ensuring that Miscollected Code Letters and Misdirected Code Letters are:
 - (i) returned to the Intended Operator; or
 - (ii) if such return is not reasonably practicable, otherwise handled (including, where appropriate, delivered to the intended User)
 in either case in an efficient, economic and timely manner;
 - (c) ensuring complaints or other enquiries (including from customers) in relation to Code Letters made to a regulated postal operator which is not the regulated postal operator to which the complaint or other enquiry should have been made, are handled in an efficient, economic and timely manner; and
 - (d) so far as is consistent with sub-paragraphs (a) to (c), the promotion of effective competition between regulated postal operators.
- 1.2 The Code sets out the requirements and procedures to be followed in order to satisfy the Code Objectives.
- 1.3 This Code applies to all regulated postal operators. Compliance is obligatory for all regulated postal operators in accordance with regulatory conditions.
- 1.4 Regulated postal operators will need to enter into contractual arrangements separate to this Code in order to comply with and give effect to the provisions of the Code: for example, day-to-day arrangements for the repatriation of misdirected mail and any charges payable for that service will need to be established. Regulated postal operators are required to be party to a separate "default agreement" – the Postal Common Operational Procedures Agreement – so as to ensure that in the absence of any bespoke negotiated arrangements between regulated postal operators, regulated postal operators will be able to comply with this Code.

Definitions and Rules of Interpretation

- 2.1 In this Code, unless the context requires otherwise:

Access Indicator	means the Customer Access Indicator and the Royal Mail Access Indicator as those terms are defined in the relevant <u>USP Access Agreement</u> ;
Access Party	means a <u>regulated postal operator</u> (other than the <u>Universal Service Provider</u>) that is party to a <u>USP Access Agreement</u> ;
Code Identifier	means such mark, number or other identifier unique to each <u>regulated postal operator</u> as may be allocated and notified to each <u>regulated postal operator</u> from time to time prior to the <u>Appointed Day</u> by <u>the Postal Services Commission</u> or, from the <u>Appointed Day</u> , by <u>Ofcom</u> ;

Code Letter	<p>means:</p> <p>(a) in the case of the <u>Universal Service Provider</u> and a <u>regulated postal operator</u> acting in the capacity of an <u>Access Party</u> or <u>Intermediary</u>, a <u>postal packet</u> which is no larger than 460mm by 610mm by 460mm (or, if a tubular <u>postal packet</u>, the length plus twice the diameter does not exceed 1040mm with a maximum length of 900mm), and no heavier than 2kg;</p> <p>(b) in the case of any other <u>regulated postal operator</u> (including an <u>Access Party</u> or <u>Intermediary</u> not acting in the capacity of <u>Access Party</u> or <u>Intermediary</u>), a <u>Letter</u> which:</p> <p>(i) is conveyed in consideration of a payment of not more than £1 made by or on behalf of the person for whom it is conveyed; and</p> <p>(ii) weighs less than 350 grams;</p> <p>(c) any <u>postal packet</u> deemed to be a <u>Code Letter</u> in accordance with paragraph 3.7 of this Annex;</p>
Indicator	means in the case of an <u>Access Party</u> acting in that capacity, the relevant <u>Access Indicator</u> , and in all other cases, a payment indicator such as PPI;
Intended Operator	means the <u>regulated postal operator</u> which, in accordance with arrangements agreed between that <u>regulated postal operator</u> and its customer, is responsible for the conveyance and delivery of the <u>Relevant Code Letters</u> ;
Intermediary	means a <u>regulated postal operator</u> (other than an <u>Access Party</u>) that is party to arrangements with the <u>Universal Service Provider</u> under which that <u>regulated postal operator</u> delivers <u>Postal Packets</u> to the <u>Universal Service Provider</u> for subsequent conveyance;
Letter	has the meaning ascribed to it in the <u>Act</u> but excludes parcels;
Miscollected Code Letters	means <u>Code Letters</u> which have been collected in error by a <u>regulated postal operator</u> which is not the <u>Intended Operator</u> ;
Misdirected Code Letters	means <u>Code Letters</u> , other than <u>Miscollected Code Letters</u> (but, for the avoidance of doubt, including <u>Misposted Code Letters</u>), which have entered the <u>Postal Facilities</u> of a <u>regulated postal operator</u> which is not the <u>Intended Operator</u> in respect of those <u>Code Letters</u> ;
Misposted Code Letters	means <u>Code Letters</u> which due to customer error have entered the <u>Postal Facilities</u> of a <u>regulated postal operator</u> which is not the <u>Intended Operator</u> in respect of those <u>Code Letters</u> and which have not been delivered to the relevant addressee;
Postal Facilities	means the physical and human resources deployed by a <u>regulated postal operator</u> (and, where relevant, by its contractors and agents) for the purpose of providing <u>Postal Services</u> ;
Postal Packet	has the meaning ascribed to it in the <u>Act</u> but excludes parcels;
Prohibited Code Letters	means any <u>Postal Packet</u> (including parcels) which contains items and/or material prohibited or restricted by the <u>Scheme</u> ;

Receiving Operator	means the <u>regulated postal operator</u> whose <u>Postal Facilities</u> the <u>Relevant Code Letters</u> (in respect of which it is not the <u>Intended Operator</u>) have entered;
Relevant Code Letters	means <u>Miscollected Code Letters</u> or <u>Misdirected Code Letters</u> , as the case may be;
Scheme	means the Successor Postal Services Company Inland Letter Post Scheme 2001 made pursuant to section 89 of the Postal Services Act 2000 (or other comparable scheme made pursuant to that section);
Sender	in relation to any letter or other communication, means the person whose communication it is;
Voluntary Code Letter	means any <u>Postal Packet</u> (other than a <u>Prohibited Code Letter</u>) which is not a <u>Code Letter</u> for the purposes of paragraph (b) of the definition of <u>Code Letter</u> but which is no larger than 460mm by 610mm by 460mm (or, if a tubular <u>Postal Packet</u> , the length plus twice the diameter does not exceed 1040mm with a maximum length of 900mm), and no heavier than 2kg.

2.2 In this Code, unless the context requires otherwise, the words **include**, **including** and **in particular** are to be construed as being by way of illustration or emphasis and do not limit or prejudice the generality of any foregoing words. The singular includes the plural and vice versa.

2.3 This Code shall not be interpreted in any way which is inconsistent with the Code Objectives.

3 Code Identifier and voluntary application of the Code

General

3.1 Subject to the other provisions of this paragraph 3, each regulated postal operator must take all reasonable steps:

- (a) to ensure that its Code Identifier is clearly and legibly marked in accordance with industry practice on each Code Letter in respect of which it is the Intended Operator;
- (b) not to mark its Code Identifier on any Postal Packet (which for the purposes of this paragraph 3 includes parcels) in respect of which it is the Intended Operator which is not a Code Letter.

The Universal Service Provider

3.2 Royal Mail will be taken to have satisfied its obligations under paragraph 3.1(a) if a Code Letter in respect of which Royal Mail is the Intended Operator bears:

- (a) a Royal Mail postage stamp; or
- (b) a mark or impression which includes the words "Royal Mail" or other reasonably recognisable Royal Mail text or symbol.

3.3 In relation to all other Code Letters in respect of which Royal Mail is the Intended Operator which do not meet the requirements of paragraph 3.2, Royal Mail must comply with paragraph 3.1(a).

Access Parties and Intermediaries

3.4 An Access Party or Intermediary will be taken to have satisfied its obligations under

paragraph 3.1(a) if a Code Letter in respect of which the Access Party or Intermediary is the Intended Operator, is marked with that Access Party's or Intermediary's Indicator.

- 3.5 In relation to all other Code Letters in respect of which an Access Party or Intermediary is the Intended Operator which do not meet the requirements of paragraph 3.4, that Access Party or Intermediary must comply with paragraph 3.1(a).

Voluntary application of the Code

- 3.6 A regulated postal operator (other than the Universal Service Provider acting in any capacity, and an Access Party and an Intermediary acting in those capacities) may elect to extend the application of the Code to Voluntary Code Letters.

- 3.7 If a regulated postal operator makes an election in accordance with paragraph 3.6, those Voluntary Code Letters in respect of which the election is made:

- (a) must be clearly and legibly marked in accordance with industry practice with the relevant Code Identifier; and
- (b) if so marked, shall be deemed to constitute for all purposes of this Code, Code Letters.

4 Treatment of Misdirected Code Letters

- 4.1 Regulated postal operators must take all reasonable steps to ensure that Misdirected Code Letters are:

- (a) returned to the Intended Operator; or
- (b) if such return is not reasonably practicable, otherwise handled (including, where appropriate, delivered to the intended user)

in either case, in an efficient, economic and timely manner.

- 4.2 Regulated postal operators may:

- (a) charge the relevant Intended Operator for the reasonable costs properly and reasonably incurred in returning or otherwise handling the relevant Misdirected Code Letter in accordance with paragraph 4.1;
- (b) where in accordance with paragraph 4.1 they deliver or return the relevant Misdirected Code Letter to the relevant intended user or Sender, as the case may be, charge the user or Sender for such delivery or return on the same basis that they would be entitled to charge if they were the Intended Operator of the relevant Misdirected Code Letter.

5 Treatment of Miscollected Code Letters

- 5.1 Regulated postal operators must take all reasonable steps to ensure that Miscollected Code Letters are returned to the Intended Operator or its customer, in either case, in an efficient, economic and timely manner.

- 5.2 Regulated postal operators may not charge for returning the relevant Miscollected Code Letters in accordance with paragraph 5.1.

6 Customer Service Enquiries

- 6.1 If a regulated postal operator receives a complaint or other enquiry in relation to a Code Letter that should have been made to another regulated postal operator, the regulated postal operator receiving the complaint or other enquiry shall:

- (a) treat that complaint or other enquiry with the same degree of care and importance that it would if the complaint or other enquiry should have been made to that regulated postal operator;
 - (b) explain to the complainant that the complainant should contact the other relevant regulated postal operator; and
 - (c) provide to the complainant the contact details of that other relevant regulated postal operator.
- 6.2 If a regulated postal operator receives a complaint or other enquiry where the identity of the regulated postal operator to which that complaint or other enquiry should have been made is not discernable from the relevant Code Letter, the regulated postal operator receiving the complaint or other enquiry is only required to refer the complainant to the Sender of the Code Letter.
- 6.3 Regulated postal operators must take all reasonable steps to ensure that they have sufficient personnel properly trained (and with access to all relevant information) in order to handle complaints or other enquiries in accordance with the other provisions of this paragraph 6.

7 Information and Reporting

- 7.1 Within 3 months of 31 March each year, each regulated postal operator must provide to Ofcom details of:
- (a) the total number of Misdirected Code Letters in respect of which that regulated postal operator was the Receiving Operator during the relevant year ending 31 March; and
 - (b) where relevant, the total such number broken down by Intended Operator.

- CP 6.1 For the purposes of this Condition, the turnover taken into account shall be turnover from regulated postal services, (excluding access payments in the case of postal operators other than the universal service provider).
- CP 6.2 A regulated postal operator that generated turnover exceeding £10 million, in the preceding year beginning on 1 April, shall pay to Ofcom in any relevant year such proportion as Ofcom may specify of:
- (a) the qualifying consumer expenses of the Council; and
 - (b) the estimated qualifying consumer expenses of the OFT which relate to the expansion of Consumer Direct to enable it to cater for postal service customers, (the “Consumer Direct expansion expenses”)
- likely to be incurred during the relevant year.
- CP 6.3 The proportion will be calculated by multiplying the sum of the total qualifying consumer expenses and the Consumer Direct expansion expenses by that regulated postal operator’s share of turnover expressed as a percentage of the total turnover generated by all regulated postal operators.
- CP 6.4 A regulated postal operator shall pay to Ofcom in any relevant year such proportion as Ofcom may specify of the qualifying consumer expenses of the OFT other than the Consumer Direct expansion expenses.
- CP 6.5 In the first relevant year in which this Condition CP 6 is in force:
- (a) any request for payment by the Postal Services Commission under any condition of a licence issued under the Postal Services Act 2000 shall be deemed to be a request for payment by Ofcom in respect of either or both of CP 6.2 and CP 6.4 as appropriate; and
 - (b) any payment made to the Postal Services Commission under any condition of a licence issued under the Postal Services Act 2000 shall be deemed to be a payment made under either or both of CP 6.2 and CP 6.4 as appropriate.
- CP 6.6 The amounts payable under CP 6.2 and CP 6.4 in a relevant year shall include the amount of the difference, if any, between the costs actually incurred during the previous relevant year and the estimate of the costs in question upon which charges in the previous relevant year were based, where the latter exceeds the former the amount of the difference being treated as a negative amount.
- CP 6.7 The amount due under either or both of CP 6.2 and CP 6.4 shall be payable on 30 June in the relevant year or, if later, on the expiry of one month from the day on which Ofcom serves notice on the regulated postal operator of such amount.

- CP 7 A postal operator shall establish, make available and comply with transparent, simple and inexpensive procedures for dealing with complaints of consumers of postal services, which facilitate the fair and prompt settlement of disputes.
- CP 8.1 A regulated postal operator shall establish, make available and comply with a complaints handling procedure in accordance with CP 7 and CP 8.2 for dealing with complaints of relevant consumers of regulated postal services.
- CP 8.2 A complaints handling procedure must:
- (a) be in plain and intelligible language;
 - (b) allow for consumer complaints to be made orally or in writing (including electronically);
 - (c) set out contact details to allow a relevant consumer to make a consumer complaint;
 - (e) allow for consumer complaints to be progressed through each stage of the complaints handling procedure orally or in writing (including electronically);
 - (f) allow for consumer complaints with no evidence base to be dealt with;
 - (g) describe the process which the regulated postal operator will follow with a view to investigating and resolving a consumer complaint and the likely timescales for that process;
 - (h) provide for an internal review of an existing consumer complaint where a complainant indicates that they would like such a review to occur because he or she is dissatisfied with the handling of that consumer complaint;
 - (i) set out contact details for Consumer Direct;
 - (j) describe the complainant's right to refer a consumer complaint to a qualifying redress scheme:
 - (i) from the point at which the regulated postal operator notifies the complainant in writing, that it is unable to complete the consumer complaint to the complainant's satisfaction; or
 - (ii) after the expiry of the specified time period.
- CP 8.3 The regulated postal operator shall, not less than once every three calendar years, review the complaints handling procedure and seek feedback from a reasonable number of complainants to ensure the complaints handling procedure meets the needs of relevant consumers.

- CP 8.4 Upon receipt of a consumer complaint made through the complaints handling procedure the regulated postal operator shall record in a written or electronic format the following details:
- (a) the date that the consumer complaint was received;
 - (b) whether the consumer complaint was made orally or in writing;
 - (c) the identity and contact details of the complainant; and
 - (d) a summary of the consumer complaint
- CP 8.5 For each consumer complaint received through its complaints handling procedure the regulated postal operator must also record:
- (a) a summary of any subsequent contact with the complainant and any advice given or action taken in response to the consumer complaint;
 - (b) the date (if any) on which the consumer complaint became a completed complaint; and
 - (c) the date (if any) on which the regulated postal operator sends a written notice to a complainant in accordance with CP 8.7.
- CP 8.6 Where a regulated postal operator has recorded a consumer complaint as a completed complaint but within three months of the date of making that record a subsequent contact is made by or on behalf of the complainant in relation to that consumer complaint which indicates that it is not a completed complaint, the regulated postal operator:
- (a) must as soon as reasonably practicable take account of that consumer complaint in any report which it is obliged to prepare and publish in accordance with CP 8.14;
 - (b) shall not otherwise be entitled to treat that consumer complaint as a completed complaint until that consumer complaint is demonstrably a completed complaint.
- CP 8.7 Each regulated postal operator must send a notice to a complainant on the earlier of:
- (a) the first working day after the day on which the regulated postal operator becomes aware that it is not able to complete a consumer complaint made through its complaints handling procedure to the complainant's satisfaction; or
 - (b) the first working day after the day on which the specified time period for that consumer complaint expires.

- CP 8.8 The notice referred to in CP 8.7 must be in writing (including electronically) unless another format has been agreed with the complainant, and notify the complainant—
- (a) of their right to refer the consumer complaint to a qualifying redress scheme;
 - (b) of the contact details of the qualifying redress scheme;
 - (c) that the qualifying redress scheme process is independent of the regulated postal operator;
 - (d) that the qualifying redress scheme process is free of charge to the complainant;
 - (e) of the types of redress that may be available under a qualifying redress scheme; and
 - (f) that any outcome of the qualifying redress scheme process is binding upon the regulated postal operator but not upon the complainant.
- CP 8.9 Each regulated postal operator must allocate and maintain such level of resources as may reasonably be required to enable that regulated postal operator to receive, handle and process consumer complaints made through its complaints handling procedure in an efficient and timely manner and in accordance with this Condition.
- CP 8.10 Each regulated postal operator must put in place arrangements to deal with complaints made through its complaints handling procedure in relation to which the Council makes representations on behalf of a vulnerable consumer. If a regulated postal operator identifies a consumer as a vulnerable consumer with a consumer complaint, or the Council refers such a consumer to a regulated postal operator, that regulated postal operator must take such additional steps as it considers necessary or appropriate with a view to assisting that vulnerable consumer and completing their consumer complaint in an appropriate and prompt manner.
- CP 8.11 Each regulated postal operator must:
- (a) publish its complaints handling procedure in such a manner as will ensure reasonable publicity for it;
 - (b) ensure that its complaints handling procedure appears at a clear and prominent location on any relevant website it operates or controls; and
 - (c) ensure that details of how to make a consumer complaint are made available at all its business premises which are accessible to the public, including the premises of its agents.
- CP 8.12 Where a regulated postal operator becomes aware, following contact by or on behalf of the complainant, that a consumer complaint which the postal operator had recorded as a completed complaint is not a completed complaint, the

regulated postal operator must as soon as reasonably practicable—

- (a) direct the complainant to the complaints handling procedure; and
- (b) offer to provide a copy of the complaints handling procedure to the complainant free of charge.

CP 8.13 Each regulated postal operator must provide a copy of its complaints handling procedure, free of charge, to any person who requests it.

CP 8.14 Each regulated postal operator must—

- (a) publish by 30th June each year a consumer complaints report in such a manner as will ensure reasonable publicity for it;
- (b) publish its consumer complaints report at a clear and prominent location on any website it operates or controls; and
- (c) provide a copy of its consumer complaints report, free of charge, to any person who requests it.

CP 8.15 A consumer complaints report is a report in relation to the twelve month period ending on 31st March of the year in which the report is published which contains the following information:

- (a) the number of consumer complaints which the regulated postal operator received during that period, which had not become completed complaints within that period; and
- (b) the number of consumer complaints which the regulated postal operator received, during that period, which had become completed complaints within that period,

in each case presenting the information broken down by no more than ten of the main causes of consumer complaint.

CP 9 A regulated postal operator must be a member of a qualifying redress scheme in relation to consumer complaints about the provision of a regulated postal service.

DUSP 1.1 The Universal Service Provider shall provide a universal postal service within the United Kingdom, subject to the following paragraphs of this Condition.

DUSP 1.2 The universal postal service to be provided pursuant to DUSP 1.1 shall include:

- (a) services for letters posted individually;
- (b) a registered items service;
- (c) an insured items service;
- (d) incoming services for letters posted from outside the United Kingdom;
- (e) outgoing services for letters posted to outside the United Kingdom; and
- (f) until 5 December 2011, services for letters posted both sorted and unsorted in bulk.

DUSP 1.3 The Universal Service Provider, in the discharge of its obligations under DUSP 1.1 and 1.2, shall –

- (a) provide the following services in accordance with a public tariff that is uniform throughout the United Kingdom: 1, 2, 3, 4, 5, 6, 7, 8, 9, 12 (but only insofar as the Universal Service Provider provides such a service which conforms to the definition of single piece¹⁶), 13 (but only insofar as the Universal Service Provider provides such a service which conforms to the definition of single piece¹⁷) and 14;
- (b) until 5 December 2011, provide the following services in accordance with a public tariff that is uniform throughout the United Kingdom: 22, 23, 36 and 37;
- (c) provide the International Signed For Packet service described in the Universal Service Provider's Successor Postal Services Company Overseas Letter Post Scheme 2001 (as amended to 1 November 2010¹⁸), and
- (d) provide Poste Restante and Certificate of Posting services free of charge except as Ofcom may by direction in writing otherwise agree,
- (e) provide Redirection Services ,
- (f) from 6 December 2011, provide the Keepsafe service,
- (g) provide a Recorded Signed For serviceTM, and
- (h) provide a service of conveying free of charge qualifying legislative petitions and addresses, and
- (i) use reasonable endeavours directly or indirectly to establish arrangements with postal operators in countries outside the United Kingdom for them to deliver to the universal service provider relevant postal packets posted from outside the United Kingdom to addresses within the United Kingdom.

¹⁶ As defined in “The building blocks for a sustainable postal service – Removing bulk products from the universal service and clarifying the status of other universal service products – a decision document“

¹⁷ As defined in “The building blocks for a sustainable postal service – Removing bulk products from the universal service and clarifying the status of other universal service products – a decision document“

¹⁸ Available at:

[ftp://ftp.royalmail.com/Downloads/public/ctf/rm/Overseas_Letter_Post_Scheme2001\(master\).pdf](ftp://ftp.royalmail.com/Downloads/public/ctf/rm/Overseas_Letter_Post_Scheme2001(master).pdf)

DUSP 1.4 The Universal Service Provider shall ensure that –

- a) other than in the exceptional geographical conditions or other circumstances described in directions issued by the Postal Services Commission relating to Condition 2 of schedule 2 of the licence Royal Mail held under, the Postal Services Act 2000, or as Ofcom, after consultation with the Universal Service Provider and the Council, may by direction otherwise determine: –
- (i) at least one delivery of relevant postal packets is made every working day to the home or premises of every individual or other person in the United Kingdom or to such identifiable points for the delivery of relevant postal packets within that area as Ofcom may approve in writing, and
 - (ii) at least one collection of relevant postal packets is made every working day from each access point used in the provision of a universal postal service, and
- (b) a service of conveying relevant postal packets from one place to another by post and the incidental services of receiving, collecting, sorting and delivering such packets are provided at affordable prices determined in accordance with a public tariff that is uniform throughout the United Kingdom.

DUSP 1.5 Nothing in this Condition is to be read:

- (a) as requiring a service to continue without interruption, suspension or restriction in an emergency, or
- (b) as preventing individual agreements as to prices from being concluded with customers.

DUSP 2 The Universal Service Provider shall provide to such descriptions of blind or partially sighted persons as may be specified in directions from the Secretary of State issued to the Postal Services Commission under s.41 of the Postal Services Act 2000, to impose a requirement and bring that requirement into force, the postal services specified therein free of charge or in such manner as may be set out in those directions.¹⁹

DUSP 3.1 Except as Ofcom, after consultation with the Universal Service Provider and the Council, may have directed otherwise, the Universal Service Provider shall provide, or procure the provision of, post office letter boxes and other access points for the purpose of providing the universal postal service referred to in Condition DUSP 1 in a manner which meets the reasonable needs of users having regard to the costs of providing and servicing such access points.

For the purposes of this Condition, any directions relating to the provision of post office letter boxes and other access points for the purpose of providing the universal postal service, issued by the Postal Services Commission prior to the Appointed Day and not withdrawn shall be deemed to have been issued by Ofcom under this Condition.

¹⁹ Directions issued on 13 March 2001 were received by The Postal Services Commission on 14 March 2001.

- DUSP 3.2 The Universal Service Provider shall be regarded as having met its obligations under DUSP 3.1 if –
- (a) in each postcode area where the delivery point density is not less than 200 delivery points per square kilometre not less than 99% of users of postal services are within 500 metres of a post office letter box, and
 - (b) the distribution of access points capable of receiving the largest relevant postal packets and registered items is such that –
 - (i) in the UK as a whole the premises of not less than 95% of users of postal services are within 5 kilometres of such an access point, and
 - (ii) in all postcode areas the premises of not less than 95% of users of postal services are within 10 kilometres of such an access point, and such access points are available to the public in accordance with conveniently published schedules.

- DUSP 3.3 The Universal Service Provider must:
- a) at all times maintain a statement of the arrangements it has in place to ensure that users of postal services whose premises are not within 10 kilometres of an access point provided pursuant to DUSP 3.1 capable of receiving the largest relevant postal packets and registered items will be provided with reasonable access to such facilities;
 - b) review the statement annually and update the statement as required;
 - c) submit the statement to Ofcom and to the Council as and when it is updated;
 - d) publish the statement in a manner which ensures reasonable publicity for it;
 - e) ensure the statement appears at a clear and prominent location on any relevant website it operates or controls; and
 - f) provide a copy of the statement, free of charge, to any person who requests it.

- DUSP 3.4 The Universal Service Provider must:
- a) at all times maintain a statement of the arrangements it has in place to ensure that users of postal services who have significant difficulty in reaching the post office letter boxes and access points provided pursuant to DUSP 3.1 because they are blind or partially sighted, infirm through age, chronically sick, or disabled are able to post relevant postal packets regularly and as far as possible without significant cost to those users attributable to their difficulties;
 - b) review the statement annually and update the statement as required;
 - c) submit the statement to Ofcom and to the Council as and when it is updated;
 - d) publish the statement in a manner which ensures reasonable publicity for it;
 - e) ensure the statement appears at a clear and prominent location on any relevant website it operates or controls; and
 - f) provide a copy of the statement, free of charge, to any person who requests it.

- DUSP 4.1 Contingency planning
The Universal Service Provider must at all times maintain contingency plans, which set out the measures to be taken by the Universal Service Provider to ensure as far as practicable the provision of the universal postal service without the interruption, suspension or restriction of any service in the event, locally, regionally or nationally, of industrial action, an emergency or a natural disaster.

- DUSP 4.2 The Universal Service Provider must at all times maintain a list prioritising services and the criteria used to determine how these services are to be prioritised in circumstances where contingency plans are intended to be applied (“the priority list”). If the priority list is amended the Universal Service Provider must notify Ofcom within one month of the change.
- DUSP 4.3 If any of the circumstances in which the contingency plans and/or the priority list are intended to be applied arise then the Universal Service Provider shall either –
- (a) implement the contingency plans and/or the priority list, or
 - (b) provide to Ofcom in writing its reasons for deciding not to implement the contingency plans and/or the priority list.
- DUSP 4.4 At least once every two years, the Universal Service Provider must review and where appropriate, update or amend its contingency plans and the priority list.
- DUSP 4.5 Within two months of the review under DUSP 4.4 being completed, the Universal Service Provider must submit a report to Ofcom, setting out the outcome of the review including the measures it has taken to address any areas of improvement identified by the review.
- DUSP 4.6 If, after consultation with the Universal Service Provider, Ofcom advises the Universal Service Provider in writing that it is of the opinion that the contingency plans and/or the priority list need to be modified in any way, then the Universal Service Provider must either –
- (a) alter the contingency plans and/or the priority list in the manner indicated by Ofcom and provide Ofcom with a copy of the altered priority list, or
 - (b) advise Ofcom in writing that it has declined to alter the contingency plans and/or the priority list and provide to Ofcom a full explanation of its decision.

DUSP 5.1 The Universal Service Provider shall at all times maintain an up to date schedule in writing of the DUSP scheduled services and the DUSP standardised measures and of each of the corresponding DUSP scheduled standards.

The schedule shall specify the routing times, the regularity and reliability of services to be achieved.

a. The schedule shall specify quality standards for intra Community cross-border mail in a manner consistent with the following: the time limits for routing, measured from the access point to the network to the point of delivery to the addressee, for postal packets of the fastest standard category shall be -

- Between the UK and any other European member state; and
- Between the UK and all other European member states in aggregate:

D+3: 85% of items

D+5: 97% of items

according to the formula "D + n", where "D" represents the date of deposit and "n" the number of working days which elapse between that date and delivery to the addressee. The date of deposit shall be the same day as that on which the postal packet is deposited, provided that deposit occurs before the last collection time notified from the access point to the network in question. When deposit takes place after this time limit, the date of deposit will be the following day.

b. For national mail, the quality standards shall be compatible with those for intra-Community cross-border mail.

c. The schedule shall specify minimum levels of performance in respect of each of the DUSP scheduled services and DUSP standardised measures, that are no less demanding for the Universal Service Provider than the DUSP scheduled standards set out in the Annex to this Condition DUSP 5.

DUSP 5.2 The Universal Service Provider shall use reasonable endeavours to collect postal packets on a regular and reasonable basis from any post office letter box or other access point it uses in the provision of the universal service.

DUSP 5.3 The Universal Service Provider must –

(a) notify Ofcom and the Council of –

(i) the latest delivery times for the United Kingdom and the specified collection times,

(ii) any changes it intends to make to its latest delivery times and its specified collection times not less than three months prior to the change being made, and

(iii) every re-classification of addresses that will result in the latest delivery time of an address becoming later and of every re-classification of access points that will result in an access point's specified collection time starting earlier, within one month of such a change; and

(b) publish, in such a manner as Ofcom may direct, its latest delivery times and its specified collection times and shall ensure any changes to the latest delivery times and specified collection times are published within one month of the change.

DUSP 5.4 Except as Ofcom may by direction determine, the Universal Service Provider shall use all reasonable endeavours to provide the DUSP scheduled services and to perform the DUSP standardised measures to the highest possible extent, having regard to all the circumstances.

In the application of this obligation –

(a) if the performance of the Universal Service Provider in respect of any grouping of DUSP scheduled services, any DUSP scheduled service not in a grouping or DUSP standardised measure in any period of twelve months ending on 31 March in any year (excluding the Christmas period) meets or exceeds the relevant DUSP scheduled standard the Universal Service Provider shall be deemed to have used all reasonable endeavours in respect of that grouping of DUSP scheduled services, DUSP scheduled service not in a grouping or DUSP standardised measure in that year,

(b) if the performance of the Universal Service Provider in respect of any grouping of DUSP scheduled services, any DUSP scheduled service not in a grouping or DUSP standardised measure in any period of twelve months ending on 31 March in any year (excluding the Christmas period) is:

(i) 5 per cent or more below the relevant DUSP scheduled standard for a DUSP scheduled service or for the DUSP standardised measure in line 6 of the Table in the Annex to this Condition DUSP 5; or

(ii) 0.5 per cent or more below the relevant DUSP scheduled standard for a DUSP standardised measure in lines 7 and 8 of Table 1 in the Annex to this Condition DUSP 5,

the Universal Service Provider shall be presumed, subject to consideration of evidence in rebuttal, not to have used all reasonable endeavours in respect of that grouping of DUSP scheduled services, DUSP scheduled service not in a grouping or DUSP standardised measure in that year, unless Ofcom has indicated by direction in writing, following consideration of information submitted by the Universal Service Provider, that it is satisfied that the Universal Service Provider has complied with its obligation to use all reasonable endeavours in respect of it.

DUSP 5.5 The Universal Service Provider must measure and publish on a quarterly basis in such a manner as Ofcom may direct the percentage of deliveries in the United Kingdom that are made every working day by the latest delivery time, as notified to Ofcom and the Council in accordance with DUSP 5.3(a).

The Universal Service Provider shall –

(a) monitor its performance of the DUSP scheduled services in lines 1 to 4 of Table 1 in the Annex to this Condition DUSP 5 and of the DUSP standardised measures in lines 6 and 8 of that Table in relation to the relevant DUSP scheduled standards using a testing methodology that –

(i) is representative of the range of services and customers for whom these standards are relevant and which is capable of providing results with measurable statistical significance,

(ii) is applied independently of the Universal Service Provider, and

(iii) is compliant with Article 16 of the Directive.

(b) The Universal Service Provider shall permit and cooperate with audit of its monitoring pursuant to DUSP 5.6(a), but excluding the international mail standard, by persons appointed by Ofcom with the agreement of the Universal Service Provider which shall not be unreasonably withheld.

(c) The Universal Service Provider shall monitor its performance of the DUSP scheduled service in line 5 of Table 1 in the Annex to this Condition DUSP 5 and of the DUSP standardised measure in line 7 of that Table and in relation to DUSP 5.5, using a measurement methodology that

- (i) is representative of the range of services and customers for whom these standards are relevant, and
- (ii) is compliant with Article 16 of the Directive.

(d) The Universal Service Providers shall appoint an independent person to test and give an opinion on the suitability of the methodology used for the purpose of DUSP 5.6(c) and DUSP 5.5, and on the extent and consistency of its application.

DUSP 5.7 Except as Ofcom may by direction determine, the Universal Service Provider shall

- (a) submit written quarterly reports on its performance in respect of each of the DUSP scheduled services, or groupings of DUSP scheduled services where relevant, and the corresponding generic products (as set out in Table 2 in the Annex to this Condition DUSP 5) and DUSP standardised measures, relative to each of the corresponding DUSP scheduled standards and in relation to DUSP 5.5, to Ofcom and to the Council, not later than two months from the end of the quarter to which they relate, and
- (b) include with each report submitted for a quarter ending on 31 December in any reporting year, a statement of the action the Universal Service Provider intends to take in the following reporting year, in order to ensure the discharge of the obligation in DUSP 5.4, and Ofcom may by direction make provision as to the form of this statement.
- (c) Except as Ofcom may by direction determine, the Universal Service Provider shall publish and submit to Ofcom and to the Council not later than two months from the end of each Christmas period, a written report on its performance in respect of each of the generic products and services as set out in Table 2 in the Annex to this Condition DUSP 5 and of the DUSP standardised measures relative to each of the corresponding DUSP scheduled standards save that for each the performance shall be measured on average throughout the Christmas period and the relevant DUSP scheduled standard interpreted accordingly.
- (d) Except as Ofcom may by direction determine, the Universal Service Provider shall publish and submit to Ofcom and to the Council a written annual report on its performance in respect of each of the DUSP scheduled services, or groupings of DUSP scheduled services where relevant, and the corresponding generic products (as set out in the Table 2 in the Annex to this Condition DUSP 5) and DUSP standardised measures, relative to each of the corresponding DUSP scheduled standards (containing adjusted results in addition to unadjusted results where appropriate) for each period of twelve months, ending on 31 March and not later than three months from that date unless otherwise agreed by Ofcom.
- (e) Except as Ofcom may by direction determine, the Universal Service Provider shall include in any report submitted under DUSP 5.7 details of its performance by reference to the relevant DUSP scheduled standard in Postcode Areas HS, KW and ZE as if the DUSP standardised measure in line 6 of Table 1 in the Annex to this Condition DUSP 5 applied.

- DUSP 5.8 The Universal Service Provider shall at all times-
- a) maintain and comply with a code of practice for identifying the incidence of, and addressing the causes of, significant failure to meet the DUSP scheduled standards in relation to any postcode districts within a postcode area in which the DUSP scheduled standards overall are met, and
 - (b) ensure that Ofcom and the Council are provided with up to date copies of the code of practice.
- DUSP 5.9 (a) The Universal Service Provider shall publish the schedule required by DUSP 5.1 and the reports required by DUSP 5.7 in such manner as will ensure reasonable publicity for them.
- (b) The Universal Service Provider shall not assert copyright against, or otherwise oppose, any publication arranged by Ofcom or the Council of these documents.
- (c) The Universal Service Provider shall make copies of the schedule, reports and statement available free of charge to any person requesting them.
- DUSP 5.10 The Universal Service Provider shall not amend the schedule required by DUSP 5.1 save in accordance with the procedure set out in DUSP 5.11 to 5.14.
- DUSP 5.11 The Universal Service Provider shall offer to review the schedule referred to in DUSP 5.10 with the Council in every second year, and shall discuss in good faith with the Council and endeavour to agree modifications that are appropriate in the interests of users of the relevant services for the period until the next review.
- DUSP 5.12 If the Council recommends to the Universal Service Provider, following this review, that the schedule referred to in DUSP 5.10 should be changed, and if Ofcom advises the Universal Service Provider in writing that it is of the view that the changes recommended by the Council should be made, or made with modifications, then the Universal Service Provider shall either –
- (a) alter the schedule in the manner recommended by the Council, with any modifications advised by Ofcom, or
 - (b) advise both the Council and Ofcom in writing that it declines to alter the schedule in the manner aforesaid and publish in such manner as Ofcom may direct the full reasons for its decision.
- DUSP 5.13 The schedule referred to in DUSP 5.10 may be amended by the Universal Service Provider at any time with the agreement of the Council or Ofcom provided, in the case of amendments agreed with the Council, that not less than three months' notice of the proposed amendments has been given to Ofcom and Ofcom has not within two months of being notified directed that the proposed amendments not be made.
- DUSP 5.14 The Universal Service Provider shall ensure that Ofcom and the Council are provided with up to date copies of the schedule referred to in DUSP 5.10 promptly when any change is made to it.

Annex to Condition DUSP 5**Table 1**

		Performance bands			
		I	II	III	IV
	DUSP scheduled services	Standard (%)	No automatic consequences (%)	Users receive price reductions (%)	Ofcom considers investigation (%)
1	Grouping 1: Retail first class	93.0	<93.0 but >92.0	92.0 to >88.0	88.0 or less
2	Grouping 2: Retail second class	98.5	<98.5 but >97.5	97.5 to >93.5	93.5 or less
3	Standard Parcels	90.0	<90.0 but >89.0	89.0 to >85.0	85.0 or less
4	European International Delivery	85.0	<85.0 but >84.0	84.0 to >80.0	80.0 or less
5	Special Delivery (Next Day)	99.0	Compensation in accordance with contractual specification		94 or less
DUSP standardised measures					
6	Postcode area target % (delivered)	91.5	<91.5 but >90.5	90.5 to >86.5	86.5 or less
7	% of delivery routes completed each day	99.90	<99.90 but >99.80	99.80 to >99.40	99.40 or less
8	% of items delivered correctly	99.50	<99.50 but >99.40	99.40 to >99.00	99.00 or less

Notes

1. The DUSP scheduled services in rows 1 to 5 in Table 1 above are more particularly described by reference to Controlled Services as shown in Table 2 below –

Table 2

<u>DUSP scheduled services referred to in Table 1</u>	<u>Generic products</u>	<u>Controlled Services</u>
Retail first class	Stamped and metered 1c	1 ²⁰ , 2
Retail second class	Stamped and metered 2c	3 ²¹ , 4
Standard parcels	Standard parcel	5
European International Delivery	Public tariff outbound international services within the scope of the Unipost External Monitoring System survey undertaken by International Postal Corporation on end-to-end quality of service measures for European cross border international priority mail	6
Special Delivery (Next Day)	Special Delivery (Next Day) other than when sold to users having an account with the <u>Universal Service Provider</u> buying the service using their account	14

2. The standards for the DUSP scheduled services in rows 1 to 4 of Table 1 show the percentages of letters that should meet the service requirements of delivery by the end of the first or third working day for first class services and for second class and international services respectively, in each case after the day of collection or receipt by the Universal Service Provider. The standard for the DUSP scheduled service in row 5 shows the percentages of letters that should be delivered within the specification given by the Universal Service Provider for the service purchased by the sender.

3. The service in row 3 of Table 1 (Standard Parcels) is a second class service.

4. The standard for row 6 of Table 1 is the percentage of mail conveyed by the services in Grouping 1 delivered the first working day after collection or receipt to be achieved or exceeded in each Postcode Area (excepting HS, KW and ZE) throughout the periods of 12 months ending at the end of March in each year, excluding the Christmas period.

5. The percentages for each standard are to be measured on average in the United Kingdom as a whole throughout the periods of 12 months ending on 31 March in each year, excluding the Christmas period.

²⁰ Stamped mail and Smart stamp only.

²¹ Stamped mail and Smart stamp only.

- DUSP 6.1 The Universal Service Provider shall submit written quarterly reports to Ofcom and to the Council, not later than two months from the end of the quarter to which they relate, which shall
- (a) set out -
 - (i) the number of consumer complaints received during that quarter from relevant consumers which have not become completed complaints; and
 - (ii) the number of consumer complaints received during that quarter from relevant consumers which have become completed complaints.
 - (b) present the information referred to in paragraph (a) for the United Kingdom as a whole -
 - (i) broken down by no less than ten main categories of consumer complaint, and
 - (ii) showing the compensation that has been paid to relevant consumers in relation to consumer complaints that were found to be valid.
- DUSP 6.2 The Universal Service Provider shall –
- (a) publish the reports required to be submitted under DUSP 6.1 in such manner as will ensure reasonable publicity for them,
 - (b) not assert copyright against, or otherwise oppose, any publication arranged by Ofcom or by the Council of the Universal Service Provider's complaints handling procedure or the reports, and
 - (c) make copies of the reports available free of charge to any person requesting them.

E 1 Unless Ofcom otherwise consents, a regulated postal operator shall at all times comply with the Mail Integrity Code.

For the purposes of this Condition E 1, any consent issued and not withdrawn by the Postal Services Commission prior to the Appointed Day, relating to:

(a) Condition 8 of the licence held by Royal Mail under the Postal Services Act 2000 immediately before the Appointed Day; or

(b) Condition 3 of a licence held by any other postal operator under the Postal Services Act 2000 immediately before the Appointed Day,

shall be deemed to be a consent issued by Ofcom under this Condition.

Annex to condition E 1 - Mail Integrity Code

Protecting the Integrity of Mail – A Code of Practice

1 Introduction

1.1 This is the Code of Practice covering the protection of the integrity of mail. Its purpose is to achieve the following objectives (the "Mail Integrity Objectives"):

(a) minimising the exposure of Code Postal Packets to the risk of loss, theft, damage and/or interference; and

(b) maintaining and improving regulated postal operators' performance in respect of the matters referred to in paragraph 1.1(a).

1.2 This Code sets out the requirements and procedures to be followed in order to satisfy the Mail Integrity Objectives.

1.3 This Code applies to:

(a) regulated postal operators; and

(b) all Code Postal Packets conveyed, received, collected, sorted, delivered or otherwise handled by regulated postal operators.

1.4 Regulated postal operators should allocate responsibility to specific personnel within their organisations for implementation of and compliance with this Code.

1.5 In meeting their obligations under this Code, regulated postal operators should have due regard to the size and nature of their organisations and operations.

2 Definitions and rules of interpretation

2.1 In this Code, unless the context requires otherwise, the words include, including and in particular are to be construed as being by way of illustration or emphasis and do not limit or prejudice the generality of any foregoing words. The singular includes the plural and vice versa.

2.2 Nothing in this Code is to be construed as requiring a regulated postal operator to act unlawfully (for example, by breaching employment law in meeting the recruitment and vetting requirements set out in paragraph 3 of this Code).

2.3 This Code shall not be interpreted in any way which is inconsistent with the Mail Integrity Objectives.

2.4 Where this Code requires a policy to be established, that policy must be in writing and a copy must be given to the specific personnel within the regulated postal operator's organisation who are responsible for implementation of and compliance with the policy.

2.5 Where this Code requires regulated postal operators to allocate responsibility to specific personnel within their organisations to be responsible for implementation of and compliance

with this Code (including any policy required by this Code), the personnel responsible for implementation may be different from those responsible for compliance.

3 Recruitment of Relevant Employees

3.1 If a regulated postal operator employs or uses (or intends to employ or use) Relevant Employees, the regulated postal operator must:

(a) establish, maintain and adhere to a recruitment policy in relation to the employment or use of Relevant Employees designed to facilitate the achievement of the Mail Integrity Objectives; and

(b) allocate responsibility to specific personnel within its organisation for the implementation of and compliance with that recruitment policy.

3.2 The recruitment policy should include:

(a) an explanation of the jobs, roles or types of work, as the case may be, in respect of which the recruitment policy should apply;

(b) the types of information about a prospective Relevant Employee that the regulated postal operator requires;

(c) the steps that the regulated postal operator requires to be taken to satisfy itself of the identity of the prospective Relevant Employee;

(d) the steps which the regulated postal operator expects to be taken in order to confirm a prospective Relevant Employee's work history over at least the immediately preceding 5 years (or the entire period of that Relevant Employee's working life, if that period is shorter than 5 years);

(e) a requirement for prospective Relevant Employees to declare any criminal convictions or any cautions or conditional discharges for offences relating to:

(i) postal packets; or

(ii) dishonest conduct generally (in particular, theft, obtaining property by deception or fraud)

and guidelines on how any such convictions, cautions or conditional discharges declared by prospective Relevant Employees will be taken into consideration in deciding whether or not to employ the prospective Relevant Employee.

3.3 For the avoidance of doubt, in respect of any regulated postal operator's existing permanent, temporary, casual or part-time employee or worker (including those under a contract for service) who is not (or might not be) involved in conveying, receiving, collecting, sorting, delivering or otherwise handling Code Postal Packets in the course of his or her work and who is to be redeployed such that he or she will (or might be) so involved, such redeployment should be treated for the purposes of this paragraph 3 as effectively the employment or use of that individual as a Relevant Employee and be subject to the other provisions of this paragraph 3.

3.4 Regulated postal operators must reasonably regularly monitor implementation of and compliance with the recruitment policy.

3.5 Regulated postal operators must reasonably regularly review the recruitment policy and, where necessary, update or amend the policy to ensure that it continues to meet the Mail Integrity Objectives.

4 Training Relevant Employees

4.1 If a regulated postal operator employs or uses Relevant Employees, the regulated postal operator must:

- (a) establish, maintain and adhere to a training policy that provides for Relevant Employees to receive initial and ongoing training so as to facilitate achievement of the Mail Integrity Objectives; and
- (b) allocate responsibility to specific personnel within its organisation for the implementation of and compliance with that policy.

4.2 Without prejudice to the generality of paragraph 4.1, all Relevant Employees must be informed of the provisions of sections 83 and 84 of the Postal Services Act 2000 and made aware of the seriousness of the offences detailed in those sections.

4.3 The training policy should include:

- (a) the levels of training required to facilitate achievement of the Mail Integrity Objectives;
- (b) the levels of training required according to the differing responsibilities of, and work undertaken by, Relevant Employees in relation to Code Postal Packets;
- (c) details of the minimum level of training required;
- (d) an explanation of how the training will be provided;
- (e) the frequency with which training should be provided; and
- (f) details of how training is to be given, recorded and monitored.

4.4 Regulated postal operators must reasonably regularly monitor implementation of and compliance with the training policy.

4.5 Regulated postal operators must reasonably regularly review the training policy and, where necessary, update or amend the policy to ensure that it continues to meet the Mail Integrity Objectives.

5 Disciplinary Procedures

5.1 If a regulated postal operator employs or uses Relevant Employees, the regulated postal operator must:

(a) make Relevant Employees aware of the standards of conduct in relation to facilitating achievement of the Mail Integrity Objectives the regulated postal operator requires Relevant Employees to meet; and

(b) establish, maintain and adhere to a disciplinary policy in relation to the treatment of Relevant Employees who fail to meet the standards of conduct expected of them.

5.2 The standards of conduct and disciplinary policy should be such as to facilitate achievement of the Mail Integrity Objectives.

5.3 Regulated postal operators must allocate responsibility to specific personnel within their organisations for:

(a) making Relevant Employees aware of the standards of conduct expected of them; and

(b) the implementation of and compliance with the disciplinary policy.

5.4 The disciplinary policy should include:

(a) an explanation of what constitutes a failure to meet the standards of conduct and the action to be taken in relation to any failures;

(b) an explanation of how the regulated postal operator ensures that all Relevant Employees understand when a failure to meet the standards of conduct might also constitute a criminal offence and how this will be dealt with;

(c) provision for appropriate records to be maintained detailing any action taken against Relevant Employees for failure to meet the standards of conduct; and

(d) a process to identify consistent failure to meet the relevant standards of conduct and the taking of appropriate remedial action.

5.5 Regulated postal operators must reasonably regularly monitor implementation of and compliance with the:

(a) standards of conduct; and

(b) disciplinary policy.

5.6 Regulated postal operators must reasonably regularly review the:

(a) standards of conduct; and

(b) disciplinary policy

and, where necessary, update or amend the standards of conduct or disciplinary policy, as the case may be, to ensure that they continue to meet the Mail Integrity Objectives.

6 Security of Mail

6.1 Notwithstanding the other requirements of this Code, regulated postal operators must establish, maintain and adhere to such other policies and procedures as may reasonably be necessary to facilitate achievement of the Mail Integrity Objectives, in

particular in relation to the security of relevant premises, and the use of vehicles and equipment in the collection, conveyance or delivery of Code Postal Packets.

6.2 Regulated postal operators must allocate responsibility to specific personnel within their organisations for the implementation of and compliance with the policies and procedures specified in paragraph 6.1.

6.3 The policies and procedures should include:

- (a) regular risk assessment;
- (b) the maintenance of records so that regulated postal operators can identify, as far as is reasonably practicable, which Relevant Employees were responsible for the conveyance, receipt, collection, sortation, delivery or handling of specific Code Postal Packets that have been interfered with; and
- (c) the measures to be taken, including monitoring, to prevent or detect loss or theft of, damage to, or interference with, Code Postal Packets from or at premises, vehicles or equipment.

6.4 Regulated postal operators must reasonably regularly review the policies and procedures and, where necessary, update or amend those policies and procedures to ensure that they continue to meet the Mail Integrity Objectives.

7 Information and Reporting Requirements

7.1 All incidents of loss or theft of, damage to, or interference with Code Postal Packets must be recorded in reasonable detail.

7.2 Without prejudice to the generality of paragraph 7.1, information to be recorded in relation to "Serious Incidents" for the purposes of the Incident Guidelines includes:

- (a) the date, time and place of the incident;
- (b) the number of (or where the precise number is not known, a reasonable estimate of the number of) Code Postal Packets the subject of the incident;
- (c) as far as is reasonably practicable, the Relevant Employees involved in the conveyance, receipt, collection, sortation, delivery or handling, as the case may be, of the Code Postal Packets the subject of the incident; and
- (d) any other particulars relating to the incident which it would be reasonable to record, including the factual circumstances in which the incident occurred.

7.3 Incidents which constitute "Serious Incidents" for the purposes of the Incident Guidelines (together with details of the date, time and place of the incident and the number of, or a reasonable estimate of the number of, Code Postal Packets the subject of the incident) are to be reported to Ofcom as soon as reasonably practicable and, in any event, within 48 hours of the regulated postal operator becoming aware of their occurrence. The information required to be recorded in accordance with paragraphs 7.2(c) and 7.2(d) and any other information in relation to the incident that Ofcom may require should be reported to Ofcom as soon as reasonably practicable.

7.4 In respect of each period of three months in any year (each year ending on 31 March), each regulated postal operator must submit to Ofcom (as soon as reasonably practicable, and in any event within 28 days, after the end of each such period) a report detailing any prosecutions which that regulated postal operator has instigated in the relevant period and provide such information in relation to any relevant incident and prosecution that Ofcom may require.

7.5 Regulated postal operators must reasonably regularly review the information recorded under this paragraph 7 with a view to identifying any trends, patterns or other notable features (such as above average incident levels at certain premises).

7.6 Regulated postal operators must submit to Ofcom and the Council annual reports not later than 3 months from the end of the year (being 31 March) to which those reports relate, which include:

- (a) the number of (or where precise numbers are not known, reasonable estimates of the numbers of) Code Postal Packets during the relevant year which were lost, stolen, damaged or interfered with; and
- (b) details of any trends, patterns or other notable features (such as above average incident levels at certain premises) in relation to the incidence of loss or theft of, damage to, or interference with, Code Postal Packets.

For the purposes of these reports, the references to “lost” and “loss” exclude items that are delivered after 15 working days of their due day of delivery and within the reporting year. Such items are to be reported in these reports as “substantially delayed”.

7.7 Regulated postal operators must also submit to Ofcom and the Council with each annual report submitted under paragraph 7.6, a statement of the measures that the regulated postal operator intends to take to remedy any failures or patterns of failure to achieve the Mail Integrity Objectives and to reduce the numbers of Code Postal Packets lost, stolen, damaged or interfered with.

7.8 Regulated postal operators must allocate responsibility to specific personnel within their organisations for meeting the recording, reporting and other requirements of this paragraph 7.

8 Agents and Sub-Contractors

8.1 Each regulated postal operator shall ensure that, so far as is reasonably practicable, all of:

- (a) its franchisees, agents or sub-contractors (if any) who are involved in the conveyance, receipt, collection, sortation, delivery or handling of Code Postal Packets, comply with this Code as if this Code applied to the franchisee, agent or sub-contractor; and
- (b) its agents or sub-contractors (if any) who are responsible for providing Relevant Employees to work for the regulated postal operator, comply with this Code as if this Code applied to such agent or sub-contractor.

8.2 Where the franchisee, agent or sub-contractor is a regulated postal operator, it shall be sufficient for the regulated postal operator which lets the franchise, appoints the agent or engages the sub-contractor, as the case may be, to rely on the direct application of this Code to that regulated postal operator in fulfilment of its obligations under paragraph 8.1(a).

- T 1 The Universal Service Provider shall appoint an official reporting directly to a member of its board of directors and charged with responsibility for monitoring the Universal Service Provider's compliance with the standards in DUSP 5 and CP 1.
- T 2.1 The Universal Service Provider shall ensure that –
- (a) at all times it employs a competent person (“the Compliance Officer”) for the purpose of facilitating compliance by the Universal Service Provider with: Conditions USPA 1 to 3, and CP 5, s.18 of the Competition Act 1998, or any information request made under s.55 of the Act or s.24 CEARA.
- (b) it consults Ofcom before employing any person as the Compliance Officer, and
- (c) the Compliance Officer is provided with such staff and facilities as he may reasonably require to perform the tasks assigned to him pursuant to this condition.
- T 2.2 The Universal Service Provider shall assign the following tasks to the Compliance Officer –
- (a) the establishment of procedures, after consulting Ofcom, for ensuring that Conditions USPA 1 to 3, this Condition T 2 and CP 5, s.18 of the Competition Act 1998, or any information request made under s.55 of the Act or s.24 CEARA are effectively complied with,
- (b) the investigation of any matter which is the subject of a representation made to the Universal Service Provider that the Universal Service Provider may be contravening Conditions USPA 1 to 3, this Condition T 2 and CP 5 or s.18 of the Competition Act 1998; or that any information request made under s.55 of the Act or s.24 CEARA may not have been complied with; or that the procedures established pursuant to sub paragraph (a) are not being complied with or are defective.
- (c) the giving of advice to directors and employees of the Universal Service Provider or any related person of the Universal Service Provider for facilitating compliance with Conditions USPA 1 to 3, Condition T 2.2(a) and CP 5, s.18 of the Competition Act 1998, or any information request made under s.55 of the Act or s.24 CEARA and, in particular, advice as to whether any information is information to which USPA 3.2 applies.
- T 2.3 The Universal Service Provider shall, as soon as practicable after the end of each financial year, provide Ofcom with and publish in such form and manner as Ofcom may direct, a comprehensive report on:
- (a) the Compliance Officer's activities relating to compliance with Conditions USPA 1 to 3, Condition T 2 and CP 5 and s.18 of the Competition Act 1998, and

(b) the key activities of the Universal Service Provider's compliance function in connection with Conditions DUSP 1-6, CP 1-2 and 4, E 1 and any information request issued by Ofcom under s.55 of the Act during that year.

T 3.1 In this condition "the necessary resources" means such –

- (a) management resources,
- (b) financial resources and financial facilities,
- (c) physical assets,
- (d) human resources, and
- (e) working capital,

as are sufficient to enable the Universal Service Provider to provide specified postal services in the UK and to comply with its obligations under the regulatory conditions.

T 3.2 The Universal Service Provider shall at all times act in a manner calculated to secure that it has, or has access to, the necessary resources.

T 3.3 The Universal Service Provider shall not, and shall procure that any person who is a related person in relation to it will not –

- (a) enter into any agreement, or
- (b) undertake any activity,

which creates any significant risk that the necessary resources will not be available to the Universal Service Provider provide specified postal services in the UK and to comply with its obligations under the regulatory conditions

T 3.4 Without prejudice to the generality of T 3.2 and 3.3, the Universal Service Provider shall not –

- (a) mortgage, charge or otherwise encumber, or
- (b) provide any guarantee or assurance (however such guarantee or assurance may be described or defined) in consequence of which any claim may be made against, or any mortgage, charge or encumbrance may arise over,

any of the necessary resources other than for the purposes of providing specified postal services in the UK.

T 3.5 Within three months of the end of each financial year the Universal Service Provider shall submit to Ofcom a certificate as to the adequacy (or otherwise) of the necessary resources for the period of twelve months commencing on the date of the certificate, in one of the following terms –

(a) “After making enquiries, the directors of the Universal Service Provider have a reasonable expectation that the Universal Service Provider will have available to it, after taking into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid, for the period of 12 months referred to in this certificate, the necessary resources (as that term is defined in Condition T 3 of the regulatory conditions applicable under the Postal Services Act 2011).”

(b) “After making enquiries, the directors of the Universal Service Provider have a reasonable expectation, subject to the factors set out below, that the Universal Service Provider will have available to it, after taking into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid, for the period of 12 months referred to in this certificate, the necessary resources (as that term is defined in Condition T 3 of the regulatory conditions applicable under the Postal Services Act 2011). However, they would like to draw attention to the following factors which may cast doubt on the ability of the Universal Service Provider to carry on the activities which were, immediately prior to the Appointed Day, authorised or required to be provided in the UK by a licence under the Postal Services Act 2000.”

(c) “In the opinion of the directors of the Universal Service Provider, the Universal Service Provider will not have available to it, for the period of 12 months referred to in this certificate, the necessary resources (as that term is defined in Condition T 3 of the regulatory conditions applicable under the Postal Services Act 2011).”

T 3.6 The Universal Service Provider shall submit to Ofcom with that certificate a statement of the main factors which the directors of the Universal Service Provider have taken into account in giving that certificate.

T 3.7 The Universal Service Provider shall –

(a) notify Ofcom in writing immediately if its directors become aware of any circumstance that causes them to no longer have the reasonable expectation expressed in the most recent certificate, and

(b) subject to compliance with the listing rules of any exchange on which stocks or debt issued by the Universal Service Provider are traded, publish its notification to Ofcom in such form and manner as Ofcom may direct.

T 3.8 The Universal Service Provider shall obtain and submit to Ofcom with each certificate provided for compliance with Condition T 3.5 a report prepared by its Auditor stating whether or not the Auditor is aware of any inconsistencies between, on the one hand, that certificate and the statement submitted with it and, on the other hand, any relevant information which he obtained during his audit work.

T 3.9 The Universal Service Provider shall procure from each company or other person which is at any time an ultimate holding company of the Universal Service Provider a legally enforceable undertaking in favour of the Universal

Service Provider in the form specified by Ofcom that that ultimate holding company (“the Covenantor”) will refrain from any action, and will procure that every subsidiary of the Covenantor (other than the Universal Service Provider and its subsidiaries) will refrain from any action, which would be likely to cause the Universal Service Provider to breach any of the regulatory conditions.

- T 3.10 Any undertaking required by T 3.9 shall be obtained within 7 days of the company or other person in question becoming an ultimate holding company of the Universal Service Provider and shall remain in force for so long as the Universal Service Provider is a regulated postal operator and the Covenantor remains the ultimate holding company of the Universal Service Provider.
- T 3.11 The Universal Service Provider shall –
- (a) deliver to Ofcom a copy of any undertaking given to it for the purpose of T 3.9 within seven days of it being made, and
 - (b) inform Ofcom immediately in writing if the directors of the Universal Service Provider become aware that any such undertaking has ceased to be legally enforceable or that its terms have been breached.
- T 3.12 The directors of the Universal Service Provider shall not declare or recommend a dividend, nor shall the Universal Service Provider make any other form of distribution within the meaning of section 829 of the Companies Act 2006, unless prior to the declaration, recommendation or making of the distribution (as the case may be) the Universal Service Provider shall have issued to Ofcom a certificate complying with the requirements of T 3.13.
- T 3.13 The certificate referred to in T 3.12 shall –
- (a) be in the following form –

“After making enquiries, the directors of the Universal Service Provider are satisfied –

 - (i) that the Universal Service Provider is in compliance in all material respects with all obligations imposed on it by Condition T 3 of the regulatory conditions applicable under the Postal Services Act 2011, and
 - (ii) that the making of a distribution of [amount] on [date] will not, either alone or when taken together with other circumstances reasonably foreseeable at the date of this certificate, cause the Universal Service Provider to be in breach to a material extent of any of the obligations imposed on it by Condition T 3 of the regulatory conditions applicable under the Postal Services Act 2011 in the future.”, and
 - (b) be signed by a director of the Universal Service Provider and approved by a resolution of the board of directors of the Universal Service Provider passed not more than 14 days before the earliest of the dates on which the declaration, recommendation or payment will be made,

and where the certificate has been issued in respect of the declaration or recommendation of a dividend, the Universal Service Provider shall be under no obligation to issue a further certificate prior to payment of that dividend.

T 4.1 This Condition T 4 shall cease to apply on 31 March 2012.

T 4.2 Except in so far as Ofcom on the application of the Universal Service Provider and after consultation with the Council directs otherwise, the Universal Service Provider shall at all times offer and provide the Regulated Services on as wide a basis within the United Kingdom as they were offered and provided in the month ending on 31 March 2006.

T 4.3 Except in relation to Access Services and subject to T 4.4 and 4.5, the Universal Service Provider shall at all times offer and provide the Regulated Services on terms other than price that are no less beneficial to the persons for whom the services are offered and provided than the terms on which they were offered and provided in March 2006.

T 4.4 The Universal Service Provider may apply to Ofcom at any time to change the terms other than price on which any service subject to the obligation in T 4.3 is offered and provided and if –

(a) the application is accompanied by a statement of agreement from the Council, and

(b) Ofcom has not, within one calendar month of receipt of the application, given notice in writing to the Universal Service Provider that Ofcom –

(i) rejects the application as being unclear or insufficiently detailed, or

(ii) is of the view that consultation is required before the change may be introduced,

then the terms on which the service is offered may be changed from the end of that period of one month in the manner specified in the notice given by the Universal Service Provider.

T 4.5 Where an application by the Universal Service Provider under T 4.4 is not accompanied by a statement of agreement from the Council, or Ofcom has indicated pursuant to T 4.4(b)(ii) that consultation is required then, if Ofcom has –

(a) consulted with the Council and with such other persons as it sees fit,

(b) considered such further information (if any) as it may have required to be furnished, and

(c) issued to the Universal Service Provider a direction in writing stating that it has concluded that the terms on which the service in question is offered may be changed in the manner applied for by the Universal Service Provider with

such modifications (if any) as may be specified in the direction,

then with effect from such date as may be specified in the direction those terms may be changed as provided in the direction.

For the purposes of Condition T 4.3 and this Condition T 4.5, any direction issued and not withdrawn by the Postal Services Commission prior to the Appointed Day, relating to Condition 21 paragraphs 2 or 4 of the licence held by Royal Mail under the Postal Services Act 2000 immediately before the Appointed Day shall be deemed to be a direction issued by Ofcom under this Condition.

T 4.6 Except in so far as Ofcom, on the application of the Universal Service Provider in the interest of relieving users of postal services from adverse volatility in prices charged by the Universal Service Provider for postal services, may by direction in writing agree otherwise, the Universal Service Provider shall take all reasonable steps to ensure that in each Formula Year after Formula Year $t = 0$, and at any time during each Formula Year prior to making any material changes to its prices, it sets prices for the Controlled Services so as to meet the following conditions, namely –

(a) in respect of each of Baskets A and B, and where $t=6$ for Basket C –

$$ER_t \leq AR_t$$

where –

ER_t is the revenue earned from the Basket in Formula Year t calculated on an accruals basis in accordance with condition T 4.8, and

AR_t is the allowed revenue for the Basket in Formula Year t calculated in accordance with condition T 4.9.

T 4.7 For each Formula Year, t , the term ER_t shall be calculated for each of Baskets A, B, and where $t=6$ Basket C, using the formula –

$$ER_t = \sum_{s=a}^{s=b} er_{st}$$

where –

er_{st} is the revenue earned from the conveyance of postal packets by a Controlled Service, s , in Formula Year t , and

s is the number of a Controlled Service within a Basket, and up to and including $t = 6$, for Basket A $a = 1$ and $b = 13$, and where $t = 6$, for Basket B $a = 14$ and $b = 32$, and where $t = 6$, for Basket C $a = 39$ and $b = 51$.

T 4.8 For each Formula Year the term AR_t shall be calculated for each of Baskets A and B, and where $t=6$ for Basket C, using the formula –

$$AR_t = BR_t - K_t + C_t + PP_t + G_t$$

where –

BR_t is the revenue from the services in the Basket in Formula Year t that would be derived from pricing those services in accordance with a basket of prices determined in the manner described in T 4.9, 4.10, 4.11,

K_t is an adjustment factor for over or under recovery of revenue from the services in the Basket in Formula Year $t - 1$, calculated in accordance with T 4.12,

C_t is a customer service quality factor for services in the Basket in Formula Year t calculated in accordance with T 4.13,

PP_t is a pension deficit pass-through for services in the Basket in Formula Year t calculated in accordance with T 4.14, and

G_t is a volume growth or decline factor for services in the Basket in Formula Year t calculated in accordance with T 4.15.

T 4.9 The term BR_t shall be calculated–

(a) for Basket A using the formula

$$BR_t = \left(\frac{100 - QP}{100} \right) * \left(\sum_{s=1}^{s=9} br_{st} \right) + \sum_{s=10}^{s=13} br_{st}$$

and

(b) where $t = 6$ for Basket B using the formula

$$BR_t = \sum_{s=14}^{s=32} br_{st}$$

and

(c) where $t = 6$ for Basket C using the formula

$$BR_t = \sum_{s=39}^{s=51} br_{st}$$

And in the formula used in paragraphs (a), (b), and (c)

QP, the quality percentage, is 5 percentage points,

br_{st} is the revenue that would have been derived from a service, s , in Formula Year t if it had been calculated in accordance with T 4.10, and

s is the number of one of the Controlled Services.

T 4.10 For any Controlled Service, s , in each of the Baskets A and B, the term br_{st} in T 4.9 shall be calculated for any Formula Year, t , using the formula –

$$br_{st} = \sum_{pr=1}^{pr=n} (bp_{prt} * v_{prt})$$

n is the number of Price Ranges for the service,

v_{prt} is the number of postal packets conveyed in Formula Year t under each Price Range for the service, calculated as described in T 4.11(a), and

bp_{prt} is the basket price for each of the Price Ranges for the service for Formula Year t calculated

in Formula Year $t = 1$ using the formula –

$$bp_{prt} = bp_{pr(t=0)} * \left(\frac{100 + P_0}{100} \right)$$

in which –

P_0 is 4.0 percentage points for Controlled Services in both Baskets A and B and

$bp_{pr(t=0)}$ is determined in the manner described in T 4.11(c), and

in subsequent Formula Years using the formula –

$$bp_{prt} = bp_{prt-1} * \left(\frac{100 + RPI_t - X}{100} \right)$$

in which -

RPI_t subject to T 4.11(d), is the change in percentage points (whether of a positive or negative or zero value) between the average of the levels of the Retail Price Index published or determined with respect to each of the six months up to and including September in Formula Year $t - 1$ and the average of those levels with respect to each of the six months up to and including

September in the preceding year, and

X is 0.14 percentage points for Controlled Services in Basket A and 1.96 percentage points for Controlled Services in Basket B.

And where t=6

X is 0.14 percentage points for Controlled Services in Basket A, and -5.19 percentage points for Controlled Services in Basket B and Basket C.

And for Basket C bp_{prt} is calculated using the formula –

$$bp_{prt} = bp_{pr(t=5)} * \left(\frac{100 + RPI_t - X + 2.5}{100} \right)$$

and,

$bp_{pr(t=5)}$ for Basket C is calculated in accordance with T 4.11(e).

T 4.11 The following provisions shall apply for the purpose of calculating terms used in T 4.10.

(a) v_{prt} shall be calculated for each Price Range for each Controlled Service in each Formula Year after Formula Year $t=0$ including where t=6, using the formula –

$$v_{prt} = \left(\frac{er_{prt}}{rp_{prt}} \right)$$

in which –

er_{prt} is the revenue earned from the conveyance of postal packets in that Formula Year in that Price Range for that service, and

rp_{prt} is the representative price in that Formula Year for postal packets conveyed in that Price Range for that service established in the manner set out in subparagraph (b).

(b) where t=6 rp_{prt} is

(i) for every Price Range for all Controlled Services, a price that is fairly representative of the prices at which postal packets are conveyed in that Price Range in that Formula Year taking account of all relevant discounts and shall be –

(aa) where the Modal Price for that Price Range for that service in that year has been Certified as fairly representative by the Auditors, the Modal Price, or

(bb) where the Auditors have not Certified that Modal Price for that Price Range for that service in that year such other price fairly representing the price for postal packets conveyed in that Price Range for that service in that year as Ofcom may reasonably determine on the basis of such financial and statistical advice as it may reasonably seek,

and if the Universal Service Provider changes the price or prices at any Price Range for any Controlled Service within a Formula Year, then paragraphs (aa) and (bb) shall be applied so as to give a value of rp_{prt} for the Formula Year by weighting values of rp_{prt} immediately before and after the change pro-rata to the reasonable estimates of the Universal Service Provider (or in the case of paragraph (bb) of Ofcom) of the numbers of postal packets conveyed by the Universal Service Provider within the Formula Year in that Price Range before and after the change in price or prices.

(c) $bp_{pr(t=0)}$ is –

(i) for any Price Range, “pr”, up to 1Kg for Controlled Services 1 to 3, 10 to 12, 25 to 36, and 38, the price published for that Price Range for that Controlled Service in the Universal Service Provider’s statement entitled “Pricing in Proportion – Indicative Prices – Amended November 2005” published by Royal Mail in November 2005²², and for the same Price Ranges for Controlled Services 4 and 13 the prices published in that statement for Controlled Service 3, and

(ii) for every other Price Range for those Controlled Services and for each Price Range for every other Controlled Service, a price that is fairly representative of the prices at which postal packets were conveyed in that Price Range on 31 March in that Formula Year and shall be –

(aa) where there is a Modal Price for that Price Range for that service in that year and it has been Certified as fairly representative by the Auditors, that Modal Price, or

(bb) where there is not a Modal Price for that Price Range for that service on that date, such other price as the Auditors may have certified as being fairly representative of the price that prevailed for that Price Range for that service on that date, or □

(cc) where no price is certified by the Auditors under paragraphs (aa) or (bb) above, such other price fairly representing the price for postal packets conveyed in that Price Range for that service on that date as Ofcom may reasonably determine on the basis of such financial and statistical advice as it may reasonably seek.

(d) RPI_t in the Formula year $t = 5$ shall be not less than zero.

²² Available at: ftp://ftp.royalmail.com/Downloads/public/ctf/rm/pip_indicative_prices_nov_2005_v1.2.pdf.

(e) where $t=6$, $bp_{pr(t=5)}$ for Basket C is a price that is fairly representative of the prices taking account of all discounts at which postal packets were conveyed in that Price Range on 31 March in that Formula Year and shall be –

(aa) where there is a Modal Price for that Price Range for that service in that year and it has been Certified as fairly representative by the Auditors, that Modal Price, or

(bb) where there is not a Modal Price for that Price Range for that service on that date, such other price as the Auditors may have certified as being fairly representative of the price that prevailed for that Price Range for that service on that date, or

(cc) where no price is certified by the Auditors under paragraphs (aa) or (bb) above, such other price fairly representing the price for postal packets conveyed in that Price Range for that service on that date as Ofcom may reasonably determine on the basis of such financial and statistical advice as it may reasonably seek.

T 4.12 The correction factor K_t is calculated for each Basket for each Formula Year as follows –

(a) in Formula Year $t = 1$

for Basket A using the formula –

$$K_t = K_{old} * \left(\frac{Arev}{Arev + Brev} \right)$$

and for Basket B using the formula –

$$K_t = K_{old} * \left(\frac{Brev}{Arev + Brev} \right)$$

(b) and thereafter for each of Baskets A and B using the formula –

$$K_t = \left(ER_{t-1} - AR_{t-1} \right) * \left(\frac{100 + i_t}{100} \right), \text{ and}$$

(c) in the formulae in paragraphs (a) and (b) –

K_{old} is the value of K_t calculated in accordance with the Previous Control for

Formula Year t = 1 of this control,

Arev is the revenue earned in Formula Year t = 0 from the services in Basket A,

Brev is the revenue earned in Formula Year t = 0 from the services in Basket B,

ERT-1 and ART-1 are calculated in accordance with Condition T 4.7 and 4.8 respectively for each of Baskets A and B for Formula Year t -1, save that for t = 6 the Controlled Services taken into account for the purposes of sub paragraph (b) as applied to Basket B shall be the Controlled Services for Basket B as defined for t=6, and

i_t is a rate of interest in percentage points which for each Basket is the Base Rate on 30 September in Formula Year t - 1 if $ERT-1 < ART-1$ and is that Base Rate + 4 percentage points if $ERT-1 > ART-1$.

T 4.13 The customer service quality factor, C_t in any Formula Year,t, is zero for Basket B, and zero for Basket C where t=6 and for Basket A is the amount found using the formula –

$$C_t = \left(\frac{QP}{100} \right) * f_t * \left(\sum_{s=1}^{s=9} br_{st} \right)$$

where –

QP is 5 percentage points,

br_{st} is the revenue that would have been derived from a Controlled Service, “s”, if it had been calculated in accordance with T 4.10,

f_t is a performance fraction for Formula Year t found using the formula –

$$f_t = \sum_{m=1}^{m=8} \left(\frac{\left(5 - n * \left(tm_{mt} - pm_{mt} \right) \right) * mw_m}{5} \right)$$

tm_{mt} is the Universal Service Provider's standard in percentage points in Formula Year t for each of the quality measures, m, set out in the table below,

pm_{mt} is the Universal Service Provider's performance in percentage points in Formula Year t against each of those quality measures,

n is a normalising factor which is 1 for quality measures m = 1, 2, 3, 4 and 5 and 10 for quality measures m = 6, 7 and 8,

mw_m is the weight applicable to each of those quality measures, as set out in the table below,

Quality of Service indicator	Measure			Standard (%) <i>tm</i>
	No <i>m</i>	Description	Weight <i>mw</i>	
First class stamped and metered transit time	1	% of items delivered by the next working day after posting	34%	93.0
Second class stamped and metered transit time	2	% of items delivered by the third working day after posting	18%	98.5
Standard parcel transit time	3	% of items delivered by the third working day after posting	1%	90.0
European International Delivery	4	% of items delivered by the third working day after posting	7%	85.0
Postcode area delivered floor	5	% of PCAs excluding HS, KW and ZE in which at least 90.5% of retail first class stamped and metered items are delivered by the next working day after posting	10%	100.0
Collection completion	6	% of collection points served each day	10%	99.9
Delivery completion	7	% of delivery routes completed each day	10%	99.9
Correct delivery	8	% of items delivered correctly	10%	99.5

provided that –

in any evaluation of $(tm_{mt} - pm_{mt})$ for $m = 1, 2, 3, 4$ and 5 in the formula for f_t above, –

if $(tm_{mt} - pm_{mt}) < 1$ then the value of $(tm_{mt} - pm_{mt})$ shall be taken to be 0, and

if $(tm_{mt} - pm_{mt}) > 5$ then the value of $(tm_{mt} - pm_{mt})$ shall be taken to be 5, and

in any evaluation of $(tm_{mt} - pm_{mt})$ for $m = 6, 7$ and 8 in the formula for f_t above, –

if $(tm_{mt} - pm_{mt}) < 0.1$ then the value of $(tm_{mt} - pm_{mt})$ shall be taken to be 0, and

if $(tm_{mt} - pm_{mt}) > 0.5$ then the value of $(tm_{mt} - pm_{mt})$ shall be taken to be 0.5,

and provided further that, on the application of the Universal Service Provider on the basis that industrial action has prejudiced or may prejudice the ability of the Universal Service Provider to finance the provision of regulated postal services, the value of f_t for any Formula Year, t , may be increased to such number not exceeding 1 as Ofcom may, by direction in writing, determine.

T 4.14 The pension deficit pass-through, PP_t , shall be determined in accordance with

the following provisions of this paragraph.

(a) PP_t shall be calculated for each Formula Year, t, using the formulae –

for Basket A –

$$PP_t = GAPP_{t-1} * \left(\frac{RA_{t-1}}{RT_{t-1}} \right)$$

and for Basket B where $t < 6$ –

$$PP_t = GAPP_{t-1} * \left(\frac{RB_{t-1}}{RT_{t-1}} \right)$$

and where $t = 6$ –

for Basket B -

$$PP_t = GAPP_{t-1} * \left(\frac{RB_{new}}{RT_{t-1}} \right)$$

for Basket C –

$$PP_t = GAPP_{t-1} * \left(\frac{RC_{t-1}}{RT_{t-1}} \right)$$

where,

RB_{new} is the revenue earned in Formula Year $t=5$ from the Controlled Services in Basket B as defined where $t = 6$,

RC_{t-1} is the revenue earned from Controlled Services in Basket C in Formula Year $t - 1$

where –

$GAPP_t$ is a gross attributable pension fund deficit pass through factor for the Universal Service Provider's letters business calculated in accordance with sub paragraph (b),

RA_{t-1} is the revenue earned from Controlled Services in Basket A in Formula Year $t - 1$, and

RB_{t-1} is the revenue earned from Controlled Services in Basket B in Formula

Year t – 1 and

RT_{t-1} is the revenue earned from all Controlled Services in Formula Year t – 1.

(b) $GAPP_t$ the gross attributable pension deficit pass through factor for the Universal Service Provider's letters business shall be calculated for each Formula Year, t, using the formula –

$$GAPP_t = GPP_t * 0.80$$

Where –

GPP_t is a gross pension fund deficit pass through factor for the Funds calculated in accordance with sub paragraph (c),

and the fraction 0.80 is the number of employees and former employees of the Universal Service Provider's letters business entitled to deferred pensions and pensions from the Funds expressed as a proportion of the number of all persons entitled to deferred pensions and pensions from the Funds,

(c) GPP_t the gross pension fund deficit pass through factor for each Formula Year, t, shall be zero in Formula Year t = 0 and in subsequent Formula Years shall be found by the application of the following conditions and formulae –

If

$$(IC + TGL_{t-1}) > 0 ,$$

then $GPP_t=0$.

If

$$IC \leq (-TGL_{t-1}) \leq \left(\frac{FAL_{t-1}}{10} \right) ,$$

then

$$GPP_t = -(IC + TGL_{t-1}) / Y .$$

Otherwise,

$$GPP_t = \left(\left(\frac{FAL_{t-1}}{10} \right) - IC \right) / Y - \left(\left(\frac{FAL_{t-1}}{10} \right) + TGL_{t-1} \right) / Z$$

where –

FAL_{t-1} is the present value of the projected benefit obligation of the Funds on the last day of the financial year ending in March in Formula Year $t - 1$ as recommended by the actuary appointed by the Universal Service Provider for the purpose of International Accounting Standard 19 and set out in the Universal Service Provider's published audited accounts,

IC is an inner corridor within which risks associated with the volatility of the liabilities of the Funds lie with the Universal Service Provider and is £1.3 billion or such lower sum which is not less than £0.5 billion as Ofcom after consultation may by direction in writing determine on the application of the Universal Service Provider on the basis of action by the Trustees of the Funds funded by the Universal Service Provider substantially to reduce such risks,

TGL_t is the accumulated unrecognised actuarial gains or losses of the Funds incurred up to the end of Formula Year t and is calculated using the formula –

$$TGL_t = TGL_{t-1} + AGL_t + GPP_t$$

in which –

in Formula Year $t = 0$ the value of TGL_{t-1} shall be a gain of £0.7 billion being the difference between the deficit in the Funds assumed for the purpose of the determination of P_0 and X in Condition T 4.10 of the condition (£4.6 billion) and the deficit in the Funds shown in the Universal Service Provider's published audited accounts for the last day of the financial year ending in March 2005 (£3.9 billion),

AGL_t is the actuarial gain or loss for the Funds (such that a gain is positive and a loss is negative) arising in Formula Year t as advised by the actuary appointed by the Universal Service Provider for the purpose of International Accounting Standard 19 and set out in the Universal Service Provider's published audited accounts but excluding –

(i) in Formula Year $t = 1$, any amount in total in excess of £0.7 billion which is attributable to updated assumptions, as determined by the actuary appointed by the Universal Service Provider for the purpose of Generally Accepted Accounting Principles relating to pensions and set out in the Universal Service Provider's published audited accounts at 26 March 2006, relating to longevity or other demographic factors for so long as those assumptions have not been verified in a valuation obtained for the purpose of section 224 of the Pensions Act 2004 which is to be completed on or before 31 December 2006, and

(ii) in subsequent Formula Years any subsequent amounts which are attributable to further updated assumptions, as recommended by the actuary appointed by the Universal Service Provider for the purpose of Generally Accepted Accounting Principles relating to pensions and set out in the Universal Service Provider's published audited accounts in the previous financial year, relating to longevity or other demographic factors for so long as those assumptions have not been verified in a valuation obtained for the purpose of

section 224 of the Pensions Act 2004,

Y is the number of years over which a first element of a shortfall in the Funds which may be recovered through PP_t and is 15, and

Z is the number of years over which a further element of a shortfall in the Funds which may be recovered through PP_t and is 10.

(d) In any Formula Year, “t”, in relation to which an amount in respect of and not less than PP_t has not been paid into the Funds by the Universal Service Provider before the end of the financial year ending in March in that Formula Year or such later date as may be approved in writing by Ofcom, then PP_t shall be nil.

T 4.15 The volume growth or decline factor, G_t , shall be determined in accordance with the following provisions of this paragraph.

(a) G_t shall be calculated for each Formula Year, t, using the formulae –
for Basket A –

$$G_t = GG_t * \left(\frac{RA_{t-1}}{RGT_{t-1}} \right)$$

and for Basket B where $t < 6$ –

$$G_t = GG_t * \left(\frac{RB_{t-1}}{RGT_{t-1}} \right)$$

and for $t=6$ for Basket B –

$$G_t = GG_t * \left(\frac{RB_{new}}{RGT_{t-1}} \right)$$

and where $t=6$ for Basket C -

$$G_t = GG_t * \left(\frac{RC_{t-1}}{RGT_{t-1}} \right) - GG_{t-1} * \left(\frac{RC_{t-2}}{RGT_{t-2}} \right)$$

where –

GG_t is a gross volume growth or decline factor calculated in accordance with sub

paragraph (b),

RA_{t-1} is the revenue earned from Controlled Services in Basket A in Formula Year t – 1,

RB_{new} is as defined in T 4.14(a),

RC_{t-1} is as defined in T 4.14(a), and

RG_{Tt-1} is the total revenue earned by the Universal Service Provider in Formula Year t – 1 from the conveyance of postal packets delivered through the Universal Service Provider's delivery offices excluding postal packets delivered using Controlled Services 6 to 9 and excluding the Universal Service Provider's Door to Door service and Inward International Services.

(b) GG_t shall be zero in Formula Year t = 1 and thereafter shall be calculated for each Formula Year, t, using the formulae –

If

$$\left(\frac{IAV_{t-1} - IFV_{t-1}}{IFV_{t-1}} \right) * 100 < (-D)$$

then

$$GG_t = AV_{t-1} * \left(\left(\frac{IFV_{t-1}}{IAV_{t-1}} \right) * \left(\frac{100 - D}{100} \right) - 1 \right) * AR_{t-1} * R$$

Otherwise, if

$$(-D) \leq \left(\frac{IAV_{t-1} - IFV_{t-1}}{IFV_{t-1}} \right) * 100 \leq D$$

then GG_t = 0;

and if

$$\left(\frac{IAV_{t-1} - IFV_{t-1}}{IFV_{t-1}} \right) * 100 > D$$

then

$$GG_t = AV_{t-1} * \left(\left(\frac{IFV_{t-1}}{IAV_{t-1}} \right) * \left(\frac{100 + D}{100} \right) - 1 \right) * AR_{t-1}^*$$

where –

IFV_t is an index of the forecast for the volume of postal packets delivered through the Universal Service Provider's delivery offices in Formula Year t excluding postal packets delivered using Controlled Services 6 to 9 and excluding the Universal Service Provider's Door to Door service and Inward International Services as set out in the table below

Formula Year, t	Index Forecast for Volume of Postal packets, IFV_t
-1	100.00
0	101.14
1	100.21
2	103.40
3	103.14
4	103.26

IAV_t is an index calculated for each Formula Year, t, using the formula,

$$IAV_t = \left(\frac{AV_t}{AV_{(t=-1)}} \right) * 100,$$

where AV_t and $AV_{(t=-1)}$ are the numbers of postal packets delivered through the Universal Service Provider's delivery offices in Formula Years t and $t = - 1$ respectively, excluding postal packets delivered using Controlled Services 6 to 9 and excluding the Universal Service Provider's Door to Door service and Inward International Services,

D is a dead band and is 2 percentage points,

AR_{t-1} is the average unit access revenue for Formula Year $t - 1$ found by dividing the aggregate revenue earned by the Universal Service Provider in that Formula Year from the provision of Controlled Services 39 to 45 and where $t=6$ Controlled Services 39 to 51, by the number of postal packets conveyed by those Controlled Services in that Formula Year,

R is cost to volume ratio and is 0.4, and

numbers of postal packets shall be calculated for the purpose of this paragraph on a revenue equated basis.

T 4.16 The obligations in T 4.17 shall apply in addition to the obligations in T 4.6 in each Formula Year $t=0$.

T 4.17 For the purposes of this Condition, the Directions issued by the Postal Services Commission on 10 January 2008 and 3 July 2009 shall be deemed to have been issued by Ofcom. Within them, references to the “Licence” shall be deemed to be references to regulatory conditions.

Except as Ofcom on the application of the Universal Service Provider may by direction in writing approve otherwise, the Universal Service Provider shall take all reasonable steps to ensure that in each Formula Year after Formula Year $t = 0$, in relation to each of the Controlled Services in Basket A and to each of the Controlled Services in Basket B, the following conditions are met –

(a) in Formula Year $t = 1$

for the lowest Price Range for Controlled Services 3, 4, 11 and 13

$$p_t - p_{t=0} \leq 2 \text{ pence}$$

and, for all other Price Ranges for all other Controlled Services,

$$p_t \leq p_{t=0} * \left(\frac{100 + P_0 + 3}{100} \right),$$

with both conditions being applicable separately both before and after the introduction of Pricing in Proportion and where –

p_t is the price for the conveyance within the Price Range for such service at any time in Formula Year t , and may have two values, one applicable before, and the other applicable after, the introduction of Pricing in Proportion,

$p_{t=0}$ is the price for the same conveyance on 31 March in Formula Year $t = 0$, provided that if there is a price for the same conveyance published in the Universal Service Provider's statement entitled “Pricing in Proportion – Indicative Prices – Amended November 2005”, then, from the introduction of Pricing in Proportion, $p_{t=0}$ shall be that price,

P_0 is 4.0 percentage points, and

(b) in Formula Year $t = 2$ for all Price Ranges for all Controlled Services

$$\sum_{t-1}^t \Delta p_t \% \leq (RPI_{t-1} + RPI_t + P_0 - X + 6 - c_t + pp_t + g_t)$$

and

(c) in subsequent Formula Years, [other than Formula Year $t = 5$,] for all Price Ranges for all Controlled Services

$$\sum_{t-1}^t \Delta p_t \% \leq (RPI_{t-1} + RPI_t - 2X + 6 - c_t + c_{t-2} + pp_t - pp_{t-2})$$

[and

(d) in Formula Year $t = 5$ and $t = 6$, for all Price Ranges for all Controlled Services

$$\Delta p_t \% \leq (RPI_t - X + 3 - c_t + c_{t-1} + pp_t - pp_{t-1} - k_t + g_t - g_{t-1})$$

Where –

RPI_t and RPI_{t-1} are as defined in T 4.10,

Δp_t % is the change in price for the conveyance in Formula Year t as compared with Formula Year $t - 1$ in percentage points and is found by the application of the formula –

$$\Delta p_t \% = \left(\frac{p_t - p_{t-1}}{p_{t-1}} \right) * 100$$

in which –

p_t and p_{t-1} are as provided In subparagraph (a) for the period after the introduction of Pricing in Proportion,

X is 0.14 percentage points for Controlled Services in Basket A and -5.19 percentage points for Controlled Services in Basket B,

except that in $t=6$, for Controlled Services 31 to 32 and for packets only within Controlled Services 22 to 33 where there is a corresponding Controlled Service within Controlled Services 33 to 38 Δp_t % shall be the higher of:

Δp_t % as defined in this sub-paragraph; and

the change in price found by the application of the formula

$$\left(\frac{p^*_t - p^*_{t-1}}{p^*_{t-1}} \right) * 100$$

where

p^*_t is the price for the conveyance within the Price Range for the corresponding Controlled Services within Controlled Services 33 to 38

c_t , c_{t-1} and c_{t-2} for Controlled Services $s = 1$ to $s = 9$ inclusive are found using the formula –

$$c_t = \left(5 - \left(\frac{C_{(t-1)} * 100}{\sum_{s=1}^{s=9} br_{s(t-1)}} \right) \right)$$

in which –

$C_{(t-1)}$ is calculated in accordance with T 4.13 and for all other Controlled Services is zero[, and]

pp_t , pp_{t-1} and pp_{t-2} for Controlled Services $s = 1$ to $s = 38$ (and where $t=6$ Controlled Services $s = 1$ to $s = 32$) inclusive are found using the formulae –

for Controlled Services in Basket A

$$pp_t = \left(\frac{PP_t}{\sum_{s=1}^{s=13} br_{s(t-1)}} \right) * 100$$

in which –

PP_t is PP_t calculated in accordance with T 4.14 for Basket A, and

and for Controlled Services in Basket B

$$pp_t = \left(\frac{PP_t}{\sum_{s=14}^{s=38} br_{s(t-1)}} \right) * 100$$

And where $t = 6$ for Controlled Services in Basket B

$$pp_t = \left(\frac{PP_t}{\sum_{s=14}^{s=32} br_{s(t-1)}} \right) * 100$$

in which –

PP_t is PP_t calculated in accordance with T 4.14 for Basket B, and

g_t , g_{t-1} and g_{t-2} for Controlled Services $s = 1$ to $s = 38$ (and where $t = 6$ Controlled Services $s = 1$ to $s = 32$) inclusive are found using the formulae –

for Controlled Services in Basket A

$$g_t = \left(\frac{G_t}{\sum_{s=1}^{s=5} br_{s(t-1)} + \sum_{s=10}^{s=13} br_{s(t-1)}} \right) * 100$$

in which –

G_t is G_t calculated in accordance with T 4.15 for Basket A, and

and for Controlled Services in Basket B

$$g_t = \left(\frac{G_t}{\sum_{s=14}^{s=38} br_{s(t-1)}} \right) * 100$$

And where $t = 6$ for Controlled Services in Basket B

$$g_t = \left(\frac{G_t}{\sum_{s=14}^{s=32} br_{s(t-1)}} \right) * 100$$

where

G_t is G_t calculated in accordance with T 4.15 for Basket B, and

k_t , for Controlled Services $s = 1$ to $s = 38$ (and where $t = 6$ Controlled Services $s = 1$ to $s = 32$) inclusive is found using the formulae –

for Controlled Services in Basket A

$$k_t = \left(\frac{K_t}{\sum_{s=1}^{s=13} br_{s(t-1)}} \right) * 100$$

in which –

K_t is K_t calculated in accordance with T 4.12 for Basket A,

and for Controlled Services in Basket B

$$k_t = \left(\frac{K_t}{\sum_{s=14}^{s=38} br_{s(t-1)}} \right) * 100$$

And where $t = 6$ for Controlled Services in Basket B

$$k_t = \left(\frac{K_t}{\sum_{s=14}^{s=32} br_{s(t-1)}} \right) * 100$$

in which –

K_t is K_t calculated in accordance with T 4.12 for Basket B,

and

in each of the seven and where $t = 6$ ten, formulae immediately above $br_{s(t-1)}$ is the revenue that would have been derived from a Controlled Service, s in Formula Year $t - 1$ if it had been calculated in accordance with T 4.10.

T 4.19 Subject to T 4.20 and 4.21, in relation to each of the Controlled Services that are not required by DUSP 1 and 2 to be provided as universal services (except Access Services priced on a zonal basis and provided under contracts entered into on or before 1 April 2006 and any Access Service subsequently provided under a contract having all the terms referred to in USPA 1.2(b)(i) to (xii) in common with such a contract) the tariffs under which the services are offered shall be geographically uniform.

T 4.20 The Universal Service Provider may apply to Ofcom in writing at any time for approval to offer any of the Controlled Services on a tariff under which prices are not geographically uniform and where Ofcom has confirmed by notice in writing that it has been provided by the Universal Service Provider with sufficient information of good quality to consider the application then T 4.21 shall apply.

For the purposes of this Condition, any approval given by the Postal Services Commission under Condition 21 paragraphs 18 and/or 19 of Royal Mail's licence under the Postal Services Act 2000 shall be deemed to be an approval given by Ofcom under this paragraph.

T 4.21 Where this paragraph applies, if Ofcom has not, after consultation with the Council and with such other persons as it sees fit, and after consideration of such further information (if any) as it may require to be furnished, within nine months of the date of giving notice under T 4.20, by determination in writing indicated that it is not satisfied that the change sought by the Universal Service Provider will –

- (a) be revenue neutral,
- (b) lead to prices for the service being more reflective of costs than they would be if the existing geographically uniform tariff was retained,
- (c) be introduced in a manner that avoids unreasonable changes for users of the service, and
- (d) not lead to a circumvention of T 4.2, and
- (e) not lead to a failure to provide services priced in a manner referred to in the Directive,

then the Universal Service Provider may change the tariff structure for the service to one in which prices are not geographically uniform in the manner proposed in its application.

T 4.22 Without prejudice to Pricing in Proportion which may be introduced on or after 21 August 2006 subject to compliance by the Universal Service Provider with such direction in respect of the provision of information to users of postal services as may be made in writing by Ofcom, the Universal Service Provider may apply to Ofcom in writing at any time for approval for a change to the criteria by which the price or prices for a Controlled Service are determined and where Ofcom has confirmed by notice in writing that it has been provided by the Universal Service Provider with sufficient information of good quality to consider the application then T 4.23 shall apply.

T 4.23 Where this paragraph applies, if Ofcom has not, after consultation with the Council and with such other persons as it sees fit, and after consideration of such further information (if any) as it may require to be furnished, within nine months of the date of giving notice under T 4.22, by direction in writing indicated that it is not satisfied that the change sought by the Universal Service Provider will –

- (a) be revenue neutral,
- (b) lead to prices for the service being more reflective of costs than they would be if the existing pricing basis was retained,
- (c) be introduced in a manner that avoids unreasonable changes for users of the service,
- (d) not lead to a circumvention of T 4.2, and
- (e) not lead to a failure to provide services priced in a manner referred to in the Directive,

then the Universal Service Provider may change the pricing criteria for the service in the manner approved in the direction.

T 4.24 Where the criteria by which the price or prices for a Controlled Service are determined are changed pursuant to T 4.23, this Condition shall apply with such variations as may be specified by Ofcom by direction in writing, including, without prejudice to the generality of this paragraph, –

- (a) variations to apply Condition T 4.6 to the service so that, notwithstanding the provisions of T 4.10, the term br_{st} shall be calculated with reference to that service in such manner as may be provided in the direction, and
- (b) variations to the tariff rebalancing provisions set out in T 4.16 and 4.17 so that, as far as possible in the circumstances, they may apply for the benefit of users of postal services as effectively after any change made pursuant to T 4.23 as they applied before that change.

T 4.25 Except as Ofcom on the application of the Universal Service Provider may by direction in writing approve otherwise, the Universal Service Provider shall provide free of charge the services: Return to sender as part of a Regulated

Service, Petitions to Parliament, Certificate of Posting, Poste restante, Petitions to Her Majesty the Queen.

T 4.26 Except as Ofcom on the application of the Universal Service Provider may by direction in writing approve otherwise

(a) Subject to sub paragraph (b), for $t = 6$, the Universal Service Provider shall take all reasonable steps to ensure that in each Formula Year after Formula Year $t = 0$ it sets prices for the Miscellaneous Services so as to meet the conditions –

In Formula Year $t = 1$

$$p_t \leq p_{t=0} * \left(\frac{100 + P_0}{100} \right)$$

and

$$p_t \leq p_{t-1} * \left(\frac{100 + RPI_t - X}{100} \right)$$

where –

p_t represents any price for any service, or any amount of any service, that is a Miscellaneous Service in any Formula Year t ,

p_{t-1} and $p_{t=0}$ represent the equivalent price on 31 March in Formula Years $t - 1$ and $t = 0$ respectively

P_0 is 4.0 percentage points,

RPI_t is as defined in T 4.10 (provided in Formula Year $t = 5$ RPI_t shall be not less than zero), and

X is 0.14 percentage points.

(b) the maximum average price increase of the services added to the definition of Miscellaneous Services for $t = 6$ will be 12%, consistent with the maximum average price increase for Controlled Services in Basket B.

T 4.27 T 4.28 shall not apply to the Miscellaneous Service Private Boxes Transfer to PO Box 12 Months.

T 4.28 If –

(a) the Universal Service Provider applies to Ofcom for a direction under this paragraph on the basis of –

(i) a fundamental change of circumstances outside the control of the Universal Service Provider which adversely affects the underlying economic performance of the Universal Service Provider to a significant extent, or

(ii) any other significant risk to the ability of the Universal Service Provider to –

(aa) meet its obligations under Condition DUSP 1, or

(bb) finance the provision of its regulated postal services,
and

(b) the Universal Service Provider has provided a copy of its application to the Council, and

(c) the Universal Service Provider, after being afforded an opportunity to make representations, has satisfied Ofcom that –

(i) in the case of an application made as provided in paragraph (a)(i), the change of circumstances described by the Universal Service Provider does adversely affect the underlying economic performance of the Universal Service Provider to a significant extent, or

(ii) in the case of an application made as provided in paragraph (a)(ii), the Universal Service Provider –

(aa) is an efficient operator, or

(bb) is using all reasonable endeavours to become an efficient operator,

and at least one of the risks referred to in paragraph (a)(ii) is significant,
and

(d) Ofcom after consultation with the Council and with such other persons as it sees fit has issued a direction in writing in response to the application by the Universal Service Provider,

then, to the extent and for so long as may be specified in that direction, this Condition shall not apply.

T 4.29 Where the Universal Service Provider has applied to Ofcom for a direction that this Condition shall no longer apply to –

(a) one of the Controlled Services, or

(b) to that the supply of that Controlled Service to a particular class of users

on the basis of competition in the provision of the service in question being sufficiently developed to protect the interests of users or of that class of users and where Ofcom has confirmed by notice in writing that it has been provided by the Universal Service Provider with sufficient information of good quality to consider the application then T 4.30 shall apply.

T 4.30 Where this paragraph applies, if –

(a) there is not outstanding a notice in writing from Ofcom to the Universal Service Provider to the effect that the number of applications made under T 4.29 is such that they cannot all be dealt within the timescale referred to in paragraph (b), and

(b) Ofcom has not, after consultation with the Council and with such other persons as it sees fit, and after consideration of such further information (if any) as it may require to be furnished, and within five months of the date of giving notice under T 4.29, by direction in writing stated that it is of the opinion that competition in the provision of the Controlled Service in question is not sufficiently developed to protect the interests of consumers or of the particular class of users referred to in the application of the Universal Service Provider,

then this Condition shall apply from the first day of the next Formula Year as if the price of the Controlled Services in question or the price at which that Controlled Service is supplied to that class of users is not restricted by this Condition.

T 4.31 Except as:

(i) The Postal Services Commission by direction issued on 20 March 2008 approved otherwise; or

(ii) Ofcom on the application of the Universal Service Provider may by direction approve otherwise,

the Universal Service Provider shall in each Formula Year t occurring after Formula Year $t = 0$ offer the Controlled Services in Baskets A, B, and where $t = 6$ also Basket C, to users at the prices shown in, or determined in accordance with, the schedules submitted by Royal Mail to the Postal Services Commission entitled “Prices 2011” (dated December 2010) and “Prices 2011 - Prices effective from 9th May 2011” (dated March 2011)²³ subject to such changes as may result from variations permitted by T 4.16 to 4.24.

T 4.32 Unless the context requires otherwise, any reference in this Condition to volumes of letters or other postal packets conveyed by the Universal Service Provider is a reference to those volumes calculated using the method for establishing volumes of letters or postal packets set out in T 4.9 and T 4.10 of this Condition.

T 4.33 If the Universal Service Provider intends to offer any new specified postal

²³ Available from Ofcom on request.

service, the Universal Service Provider shall, not less than 3 months before such offer is intended to come into effect, submit to Ofcom an indication where relevant of the relevant Reference Service.

- T 5 A regulated postal operator shall not use any information pertaining to the business or operations of another person (including information relating to that person's customers) obtained by virtue of being a party to any agreement of the type referred to in CP 5.2 in order to secure, or in a manner that reasonably could be expected to secure, any unfair commercial advantage.

USPA 1.1 This Condition shall not apply if Ofcom has issued an agreement in writing pursuant to USPA 1.2(b) or a determination in writing pursuant to USPA 2.1.

Any:

(a) agreement made and not withdrawn by the Postal Services Commission in relation to Condition 9 Part I paragraph 2(b) of Royal Mail's licence under the Postal Services Act shall be deemed to be an agreement by Ofcom under USPA 1.2(b); and

(b) any determination made and not withdrawn by the Postal Services Commission in relation to Condition 9 Part 2 paragraph 1 of Royal Mail's licence under the Postal Services Act shall be deemed to be a determination by Ofcom under USPA 2.1;

and for this purpose:

References to "Condition 9 of the Licensee's Licence" shall be deemed to be references to this Condition;

"Licensee" shall be deemed to mean "Universal Service Provider"; and

"Postal facilities" shall be deemed to mean "postal network"; and

"Postcomm" shall be deemed to mean the Postal Services Commission insofar as it refers to actions taking place prior to the Appointed Day and Ofcom insofar as it refers to actions taking place thereafter.

USPA 1.2 If any postal operator or user (an "applicant") applies for access to the Universal Service Provider's postal network the Universal Service Provider shall –

(a) negotiate with that applicant in good faith with a view to agreeing with him terms for such access, and

(b) unless Ofcom agrees otherwise in writing, where the applicant provides to the Universal Service Provider the information in connection with his application which meets the requirements of guidelines established in the manner set out in USPA 1.6 then the Universal Service Provider shall, within the period of three months commencing with the full provision of that information, provide to that applicant, a statement of the main terms on which, subject to agreement on other terms and conditions, it would be prepared to offer to provide access to its postal network, which statement shall include terms as to –

- (i) price,
- (ii) weight and format of postal packets that will be accepted by the Universal Service Provider,
- (iii) minimum volumes to be provided by the applicant,

- (iv) sortation requirements of the Universal Service Provider,
- (v) presentation requirements,
- (vi) addressing requirements,
- (vii) points at which mail may be injected into the Universal Service Provider's postal network,
- (viii) times at which mail may be injected into the Universal Service Provider's postal network,
- (ix) the distribution of volumes of letters between postcode districts to be assumed by the Universal Service Provider for the purpose of making an offer,
- (x) target delivery times for delivery by the Universal Service Provider and the percentage of letters to be delivered within such targets,
- (xi) arrangements for compensation in the event of failure to meet delivery time targets,
- (xii) requirements for interface with information systems, and
- (xiii) conditions relating to the security of the Universal Service Provider's premises and operations.

USPA 1.3 Terms agreed following negotiations pursuant to USPA 1.2 shall –

- (a) provide that any access prices shall be based on a reasonable allocation of costs,
- (b) be such that the Universal Service Provider does not unduly discriminate between persons having access to its postal network or show undue preference towards any such person, and

in this paragraph, the determination of costs shall have regard, as appropriate, to the Universal Service Provider's obligations under DUSP 1 and USPA 3.4.

USPA 1.4 If negotiations conducted pursuant to USPA 1.2 fail to lead to agreement between the Universal Service Provider and any applicant and if Ofcom on the application of that applicant –

- (a) has given the Universal Service Provider not less than 28 days' notice in writing that it proposes to give a direction that the applicant shall have access to the Universal Service Provider's postal network on such terms as may be specified in the notice, and
- (b) has given to the Universal Service Provider the opportunity in that period of not less than 28 days to make representations to it in relation to its proposal to give such a direction, and

- (c) after considering such representations

requires the Universal Service Provider based upon the principles set out in USPA 1.3 to allow that applicant to have access to the Universal Service Provider's postal network on such terms as may be specified in the direction, then the Universal Service Provider shall allow such access on such terms.

USPA 1.5 The Universal Service Provider shall –

- (a) except as Ofcom may by direction in writing provide otherwise,

(i) as soon as reasonably practicable after entering into an agreement for the conveyance of postal packets pursuant to, or in the manner anticipated by, this Condition, notify Ofcom and publish, in a manner which will ensure reasonable publicity for them, the main terms of the agreement (including the information referred to in USPA 1.2(b)(i) to (xiii), and

(ii) not commence the conveyance of postal packets under any agreement to which (i) applies before the expiry of one month from the date on which the main terms of that agreement are published in accordance with (i), and

(b) publish a report on or before each 31 March setting out for each period of twelve months ending on the preceding 1 January particulars of the access given to its postal network pursuant to this Condition including the number of agreements in being during the period for access to its postal network, the revenue derived from those agreements and the number of postal packets carried under those agreements.

USPA 1.6 The guidelines referred to in USPA 1.2(b) shall be those produced by the Universal Service Provider and approved by the Postal Services Commission in October 2006²⁴.

The guidelines established under this paragraph may be amended by the Universal Service Provider at any time subject to the approval of Ofcom, and shall be effective for the purpose of USPA 1.2(b) when approved by Ofcom.

²⁴ <http://stakeholders.ofcom.org.uk/binaries/post/1133.pdf>

- USPA 2.1 USPA 2.4 to 2.7 shall apply if Ofcom –
- (a) has given to the Universal Service Provider, the Council and such other persons as appear to Ofcom to be appropriate not less than 28 days' notice in writing that it proposes to issue a determination pursuant to paragraph (c), and
 - (b) has given to the Universal Service Provider, the Council and the other persons to whom the notice described in (a) was given the opportunity in that period of not less than 28 days to make representations to it in relation to its proposal to issue such a determination, and
 - (c) after considering such representations has issued a determination in writing that the Universal Service Provider has established arrangements in relation to the use of its postal network by other persons ("an access code") which comply with the requirements of USPA 2.2 to 2.5.
- USPA 2.2 An access code shall be such as to facilitate the achievement of the following objectives –
- (a) the provision of a universal postal service in the UK and, subject to that,
 - (b) securing the interests of users of postal services, having regard to the interests of individuals who are disabled, or elderly, or with low incomes or residing in rural areas, and
 - (c) where appropriate promoting competition between postal operators, hereinafter referred to as "the relevant objectives".
- USPA 2.3 An access code shall contain distinct sections dealing with –
- (a) the physical and operational requirements to be complied with by persons having access to and from the Universal Service Provider's postal network,
 - (b) charges to be paid to the Universal Service Provider by other persons having access to and from the Universal Service Provider's postal network, and
 - (c) procedures by which the requirements referred to in paragraph (a) and the charges referred to in paragraph (b) may, subject to the approval of Ofcom, be modified at the instigation of the Universal Service Provider or of another person or of the Council for the purpose of the better achievement of the relevant objectives.
- USPA 2.4 Except in a case in which Ofcom accepts otherwise, the Universal Service Provider shall –
- (a) enter into arrangements in relation to the use of its postal network with other persons when requested by them to do so, and
 - (b) only enter into such arrangements if they are in conformity with any

relevant provisions of the access code.

USPA 2.5 The Universal Service Provider shall not make any modification to the access code except –

(a) in accordance with the procedures established pursuant to USPA 2.3(c), or

(b) with the approval in writing of Ofcom,

and shall furnish Ofcom with a copy of any modification made.

USPA 2.6 The Universal Service Provider shall –

(a) publish the access code as modified or changed from time to time in such form and manner as will obtain appropriate publicity for it, and

(b) send a copy of the access code as modified from time to time, to any person who asks for one and makes such payment to the Universal Service Provider in respect of the cost thereof as it may require not exceeding such amount as Ofcom may from time to time approve for the purposes hereof.

USPA 2.7 If an access code has been established pursuant to USPA 2.1, the Universal Service Provider shall prepare and publish a report on or before each 31 March including, for each period of twelve months ending on the preceding 1 January:

(a) a general survey of the operation of the access code,

(b) particulars of the access given to the Universal Service Provider's postal network pursuant to the access code including the number of persons using its postal network, the revenue derived from access under the access code and the number of postal packets carried under the provisions of the access code, and

(c) the operation of the procedures for the modification of the access code.

USPA 3.1 The Universal Service Provider shall conduct its business as a postal operator in the manner best calculated to secure that neither –

(a) the Universal Service Provider, nor

(b) any related person of the Universal Service Provider, nor

(c) any other person,

obtains any unfair commercial advantage in connection with the provision by the Universal Service Provider of access to its postal network under any USPA Condition.

USPA 3.2 Subject to USPA 3.3, the Universal Service Provider shall use all reasonable endeavours to secure that no information in the possession of the Universal Service Provider as a result of giving access to its postal network under any USPA Condition to other persons –

(a) is disclosed for the benefit of or used for the purpose of any trading business conducted by the Universal Service Provider, or

(b) is disclosed for the benefit of or used for the purpose of any trading business conducted by any related person of the Universal Service Provider.

USPA 3.3 USPA 3.2 shall not apply in so far as –

(a) Ofcom may consent in writing,

(b) every person to whom the information relates has consented in writing to its disclosure or use as mentioned in USPA 3.2,

(c) the disclosure is to, or the use is by, a person who –

(i) is acting as an agent of the Universal Service Provider for the provision of postal services,

(ii) is engaged by the Universal Service Provider for the purpose of the Universal Service Provider's business as a postal operator and has access to the information only for that purpose, and

(iii) is restricted by contract with the Universal Service Provider from making any further disclosure or use of the information, or

(d) the information has been published or is required to be disclosed, in pursuance of any other regulatory condition to which the Universal Service Provider is subject, or

(e) the information is in the public domain otherwise than in consequence of a contravention of any regulatory condition to which the Universal Service Provider is subject.

USPA 3.4 The terms on which the Universal Service Provider and any related person of the Universal Service Provider have access to the Universal Service Provider's postal network shall be no more and no less favourable than the terms on which access to the postal network may be made available to other persons in accordance with Condition USPA 2.

USPA 4.1 Until 31 March 2012, except in so far as Ofcom, on the application of the Universal Service Provider in the interest of relieving users of postal services from adverse volatility in prices charged by the Universal Service Provider for postal services, may by direction in writing agree otherwise, the Universal Service Provider shall take all reasonable steps to ensure that in each Formula Year after Formula Year $t = 0$, and at any time during each Formula Year prior to making any material changes to its prices, it sets prices for the Controlled Services set out below so as to meet the following conditions, namely –

where $t = 6$, in respect of the Controlled Services set out below, the following conditions are met –

$$cp_{ct} \geq Rp_{lt} + md_{ct}$$

where –

cp_{ct} is the price at a Price Point for the conveyance of postal packets by a Controlled Service or the equivalent Advertising Mail, Sustainable Mail or Advertising Sustainable Mail of the Controlled Service, c , reduced by the maximum amount of all discounts available at the time of determination irrespective of any qualification conditions for such discounts, and,

Rp_{lt} is the price at the same time for the same Price Point for the Controlled Service's Reference Service, and includes the equivalent Advertising Mail, Responsible Mail and Advertising Responsible Mail, l , and save as Ofcom may by direction determine,

c			l		
33		Mailsort 120 OCR 2 nd Class	42		Access 120 OCR
34		Mailsort 120 CBC 2 nd Class	43		Access 120 CBC
34A		Mailsort 70 OCR 2 nd Class	44A		Access 70 OCR
34B		Mailsort 70 CBC 2 nd Class	44B		Access 70 CBC
35		Mailsort 700 CBC 2 nd Class	44		Access 700 CBC
36		Mailsort 1400 2 nd Class excluding Packets > 1kg	39		Access 1400 excluding Packets > 1kg
37		Mailsort 1400 Residues 2 nd Class excluding Packets > 1kg	40		Access 120 Letter
37		Mailsort 1400 Residues 2 nd Class excluding Packets > 1kg	41		Access 120 Flat & Packet excluding Packets > 1kg
38		Walksort 2 nd Class excluding Packets > 1kg	45		Access Walksort excluding Packets > 1kg
33	Advertising	Mailsort 120 OCR 2 nd Class	49	Advertising	Advertising Mech Access 120 OCR
34	Advertising	Mailsort 120 CBC 2 nd Class	49	Advertising	Advertising Mech Access 120 CBC
34A	Advertising	Mailsort 70 OCR 2 nd Class	49	Advertising	Advertising Mech Access 70 OCR
34B	Advertising	Mailsort 70 CBC 2 nd Class	49	Advertising	Advertising Mech Access 70 CBC
36	Advertising	Mailsort 1400 2 nd Class excluding Packets > 1kg	48	Advertising	Advertising Manual Access 1400 excluding Packets > 1kg
37	Advertising	Mailsort 1400 Residues 2 nd Class excluding Packets > 1kg	48	Advertising	Advertising Manual Access 120 excluding Packets > 1kg
33	Sustainable	Mailsort 120 OCR 2 nd Class	47	Responsible	Responsible Mech Access 120 OCR
34	Sustainable	Mailsort 120	47	Responsible	Responsible Mech

		CBC 2 nd Class			Access 120 CBC
34A	Sustainable	Mailsort 70 OCR 2 nd Class	47	Responsible	Responsible Mech Access 70 OCR
34B	Sustainable	Mailsort 70 CBC 2 nd Class	47	Responsible	Responsible Mech Access 70 CBC
35	Sustainable	Mailsort 700 CBC 2 nd Class	47	Responsible	Responsible Mech Access 700 CBC
36	Sustainable	Mailsort 1400 2 nd Class excluding Packets > 1kg	46	Responsible	Responsible Manual Access 1400 excluding Packets > 1kg
37	Sustainable	Mailsort 1400 Residues 2 nd Class excluding Packets > 1kg	46	Responsible	Responsible Manual Access 120 excluding Packets > 1kg
33	Advertising Sustainable	Mailsort 120 OCR 2 nd Class	51	Advertising Responsible	Advertising Responsible Mech 120 OCR
34	Advertising Sustainable	Mailsort 120 CBC 2 nd Class	51	Advertising Responsible	Advertising Responsible Mech 120 CBC
34A	Advertising Sustainable	Mailsort 70 OCR 2 nd Class	51	Advertising Responsible	Advertising Responsible Mech 70 OCR
34B	Advertising Sustainable	Mailsort 70 CBC 2 nd Class	51	Advertising Responsible	Advertising Responsible Mech 70 CBC
36	Advertising Sustainable	Mailsort 1400 2 nd Class excluding Packets > 1kg	50	Advertising Responsible	Advertising Responsible Manual 1400 excluding Packets > 1kg
37	Advertising Sustainable	Mailsort 1400 Residues 2 nd Class excluding Packets > 1kg	50	Advertising Responsible	Advertising Responsible Manual 120 excluding Packets > 1kg

md_{ct} is the minimum price differential between cp_{ct} and Rp_{it} within a weight band for each format and is set out below, save in relation to any other Controlled Service (or equivalent Advertising Mail, Sustainable Mail or Advertising Sustainable Mail) and Reference Service (or equivalent Advertising Mail, Responsible Mail and Advertising Responsible Mail) as otherwise determined by Ofcom by direction,

Weight	Format			
	Letters	Large letters	Packets	A3 Packets
0 – 100g	3p	5.5p	33p	8p
101- 250g	N/A	5.5p	33p	8p
251- 500g	N/A	5.5p	33p	8p
501- 750g	N/A	5.5p	33p	8p
751g- 1kg	N/A	N/A	33p	N/A

USPA 4.2 By 1 July 2009 the Universal Service Provider shall allocate postcode sectors to GZones and shall publish those allocations for Formula Year $t = 4$, by making them available on the Royal Mail Wholesale website.

USPA 4.3 The Universal Service Provider shall no later than 1 July 2009 submit to Ofcom and publish a statement setting out its process for updating the allocation of, and allocating new postcode sectors to, GZones in a manner which is consistent with the allocation made for the purpose of USPA 4.2.

USPA 4.4 Not later than nine weeks before the implementation of any change in allocation of postcode sectors to GZones pursuant to USPA 4.3 the Universal Service Provider shall –

(a) submit to Ofcom a statement in writing from its Auditors certifying that in their opinion the allocation has been determined reasonably and in a manner consistent with the requirements of the statement published in accordance with USPA 4.3 and

(b) publish the proposed allocations on the Royal Mail Wholesale website in a manner which will make them readily available to persons having an interest in them.

USPA 4.5 For Formula Years subsequent to Formula Year $t = 4$, if an Access Service is not priced on a geographically uniform basis –

a) the Universal Service Provider shall be assumed in Formula Year $t = 4$ to have set prices by reference to GZones, and for each Price Range in respect of each Access Service shall ensure that the assumed price $GP_{(s,t,z)}$ for each Controlled Service s , in Formula Year $t=4$ and GZone z shall be set out in a table to be provided to Ofcom and published by making it reasonably available on the Royal Mail Wholesale website by 1 July 2009 and shall be such that the following conditions are complied with –

$$\sum_{z=A}^{z=D} (GP_{(s,t,z)} * GW_{(t-1*,z)}) = \bar{p}_{(s,t)}$$

$$p_{(s,t)} * (1 - \mu) \leq \bar{p}_{(s,t)} \leq p_{(s,t)}$$

where –

$GW_{(t-2,z)}$ is the proportion delivered in GZone z in Formula Year $t - 2$ of all inland addressed mail delivered through the Universal Service Provider's delivery offices as measured by the Universal Service Provider's Mail Characteristics Survey,

$GW_{(t-1,z)}$ is the proportion delivered in GZone z in the 12 months up to September in Formula Year $t - 1$ of all inland addressed mail delivered through the Universal Service Provider's delivery offices as measured by the Universal Service Provider's Mail Characteristics Survey,

$$P_{(s,t)}$$

is the weighted average price for the zonal prices of Controlled Service, s , and μ is 0.02

$p_{(s,t)}$ is the price for the same service when priced on a geographically uniform basis, where $t = 6$ it is calculated having regard to Condition USPA 4.1, and

$$\left(\frac{GP_{s,t,z}}{P_{s,t}} \right) = \left(1 + \frac{\hat{\partial}_{s,t,z}}{100} \right)$$

where the value for $\hat{\partial}_{s,t,z}$ is defined for all Access Services for Formula Year $t = 4$ as –

Zone (z)		Letter	Large Letter	A3 Packets	Packets
Urban	A	10.3	10.1	-14.2	-14.2
Suburban	B	-0.9	-1.4	-2.5	-2.5
Rural	C	10.7	10.5	26.9	26.9
London	D	14.3	15.4	6.2	6.2

(b) The Universal Service Provider shall set prices by reference to GZones and so as to meet the condition, in Condition USPA 4.5(a) and so that the following conditions are complied with, namely that for each Controlled Service “ s ” and GZone “ z ”, in Formula Year t , $GP_{(s,t,z)}$ is such that for each Price Point:

$$\left(\frac{GP_{s,t,z}}{GP_{s,t-1,z}} \right) \geq 0.97 \left(\frac{\overline{P}_{s,t}}{\overline{P}_{s,t-1}} \right)$$

and

$$\left(\frac{GP_{s,t,z}}{GP_{s,t-1,z}} \right) \leq 1.03 \left(\frac{\bar{P}_{s,t}}{P_{s,t-1}} \right)$$

(c) in exercising the discretion conferred by this paragraph to alter prices in one GZone relative to prices in other GZones the Universal Service Provider shall seek to ensure that zonal access prices are no less cost reflective from one year to the next.

USPA 4.6 Not later than nine weeks before the implementation of any change in prices pursuant to USPA 4.5(b) the Universal Service Provider shall –

(a) procure and submit to Ofcom a statement in writing from its Auditors certifying that in their opinion the prices intended to be introduced by the Universal Service Provider have been determined in a reasonable manner consistent with the conditions referred to and set out in USPA 4.5(b), and

(b) publish the proposed prices on the Royal Mail Wholesale website in a manner which will make them readily available to persons having an interest in them.

USPA 4.7 Subject to USPA 4.8, the Universal Service Provider shall develop, publish and implement no later than July 2011 a costing methodology for the purpose of calculating the cost of GZones which uses, as far as reasonably practical –

(a) actual cost and volume data which can be directly assigned to a particular delivery office, and

(b) a statistical model that determines the unit costs for each GZone based on specific data associated with each postcode sector within each delivery office.

USPA 4.8 For the purpose of developing the costing methodology referred to in USPA 4.7 the Universal Service Provider shall conduct a consultation exercise which –

(a) will enable all persons likely to be affected by the introduction of the costing methodology to have a reasonable opportunity to comment on it,

(b) will be conducted so as to enable the Universal Service Provider to publish a response on the consultation exercise and announce changes to the allocation of postcode sectors to GZones not less than six months before those changes take effect.

USPA 4.9 The Universal Service Provider shall continue to allocate postcode sectors to GZones as specified in USPA 4.3 and USPA 4.4 until such time as it is able to amend the allocation of Postcode sectors to GZones with a view to ensuring that such allocation reflects as far as possible the costs of delivering letters in different postcode sectors as calculated using the costing methodology developed and implemented pursuant to USPA 4.7.

- USPA 4.10 The Universal Service Provider will only implement an amended allocation of Postcode sectors to GZones pursuant to USPA 4.9 where following consultation:
- (a) it is satisfied on reasonable grounds that there is broad agreement among persons likely to be affected by the amendment that it should be made; or
 - (b) it is not satisfied that there is broad agreement among persons likely to be affected by the amendment and it requests Ofcom to make a direction as to whether the proposed amendment has been developed and implemented pursuant to USPA 4.9 and Ofcom subsequently directs that the amendment is so consistent.
- USPA 4.11 Not later than nine weeks before the implementation of any change in allocation of postcode sectors to GZones pursuant to USPA 4.9 the Universal Service Provider shall –
- (a) submit to Ofcom, a statement in writing from its Auditors certifying that in their opinion the allocation is in accordance with the methodology published in accordance with paragraph USPA 4.7 and
 - (b) publish the proposed allocations on its web site in a manner which will make them readily available to persons having an interest in them.
- USPA 4.12 From the introduction of the methodology referred to in USPA 4.7 the Universal Service Provider will cease to apply the statement submitted in accordance with USPA 4.3 and where new postcode sectors have to be created and allocated to GZones, or for operational reasons postcode sectors have to be re-allocated to GZones, the Universal Service Provider shall make such allocations and re-allocations on the basis of the methodology referred to in USPA 4.7 and in accordance with USPA 4.11.
- USPA 4.13 Subject to USPA.4.10, the Universal Service Provider by 30 September in the Formula Year commencing on 1 April 2011 and in each Formula Year thereafter shall submit to Ofcom a report, showing the allocation of actual cost and volume data to delivery offices and postcode sectors, resulting from the application of the costing methodology referred to in USPA 4.7.

Appendix 1 – guide to terms defined in the Postal Services Act 2011

This appendix is not a part of the regulatory conditions

Access point – see s.29(11)

Insured items service – see s.32(1)

Legislative petitions and addresses – see s.32(2)

Letter – see s.65(1)

Postal network – see s.38(3)

Postal packets – see s.27(2)

Postal service – see s. 27(1)

Ofcom – see s.90

Qualifying consumer expenses – see s.51(4)

Registered items service – see s.32(4)

Universal Service Provider – see s.65(1)

User – see s.65(1)

Appendix 2: Direction under CP 5.5

Direction under Regulatory Condition CP 5.5

This Direction is issued by Ofcom under Regulatory Condition CP 5.5 and has effect from the Appointed Day.

Ofcom hereby nominates Royal Mail Group Limited (registered number 4138203) as secretary to the Postal Common Operational Procedures Agreement.

Signed by Stuart McIntosh

Partner, Competition

A person duly authorised by Ofcom under paragraph 18 of the Schedule to the Office of Communications Act 2002

29 September 2011

Annex 3

Transposition schedule

The Table provides a guide to where provisions in licence conditions prior to the Appointed Day may be found in the Regulatory Conditions

<i>Royal Mail licence condition</i>	<i>Standard licence condition</i>	<i>Regulatory condition</i>
2	-	DUSP 1
3	-	DUSP 3 and 4
4	-	DUSP 5; CP 1; CP 2; T 1
-	2	CP 1.2; CP 3
5	-	DUSP 6
6	-	DUSP 2
7	-	CP 4
8	3	E1
9	-	USPA 1 and 2
10	-	USPA 3
11	5	-
12	6	-
13	-	T 2
14	4	CP 5
15	-	Acc 1
16	-	T 3
17	7	-
18	8	-
19	-	-
20	10	CP 6
21	-	T 4 and USPA 4
22	-	Directions to be issued on the Appointed Day
-	9	-
-	11	-

Annex 4

Ofcom statement of charging principles

1. This statement follows a consultation by Ofcom on the principles that Ofcom would apply in order to set annual administrative charges pursuant to the Postal Services Act 2011 (“the Act”).
2. This statement is prepared under paragraph 7 of Schedule 9 of the Postal Services Act 2011 and applies in relation to the first charging year (i.e. the period beginning with the commencement of Schedule 4 of the Postal Services Act 2011 and ending with the next 31 March²⁵) and any subsequent charging year (i.e. any subsequent period of 12 months beginning with 1 April).

Administrative charges

3. Administrative charges will be set at a level to ensure that Ofcom will recover the estimated cost incurred in carrying out its postal services functions as set out in the Act.
4. Administrative charges will be payable by those postal operators which:
 - i. provide services in relation to which, had those services been carried out prior to 1 October 2011, it would have been required to hold a licence under the Postal Services Act 2000;and
 - ii. generated turnover (excluding access payments in the case of postal operators other than the universal service provider) exceeding £10 million, in the preceding year beginning on 1 April, from activities in relation to which, had those services been carried out prior to 1 October 2011, it would have been required to hold a licence under the Postal Services Act 2000.
5. The charge payable by a particular postal operator identified in 4 above will be calculated by multiplying the total estimated cost of regulation by that operator’s share of turnover expressed as a percentage of the total turnover generated by all operators identified in 4 above.
6. Payment is due on receipt of the notice of the amount due, served on the postal operator by Ofcom.

Attribution of costs

7. Each item of cost recorded in Ofcom’s accounts is attributed to the activities within a sector that Ofcom regulates.
8. Direct costs of activities are recorded directly against a sector and indirect costs are added by either allocation or apportionment. Allocated costs represent items of operating costs or capital expenditure which can be assigned wholly to a particular sector or activity by virtue of information in the accounting records. Apportioned costs

²⁵ Pursuant to s.93(2) of the Act, Schedule 4 came into force on the day the Act was passed, 13 June 2011.

represent common costs which are spread over each of the activities on a fair and equitable basis using standard cost apportionment methods.

Costs of integration

9. Exceptional costs have been incurred as a result of integrating postal regulation into Ofcom's existing operations in the period prior to 1 October 2011, the date of vesting. The funding for these costs requires repayment before the start of the next charging year. Therefore, they will be charged to postal operators as soon as possible in the first charging year in accordance with this Statement of Charging Principles.

Over or under recovery of spend

10. Subject to paragraph 9, the amounts due from postal operators will be collected annually in advance and any over or under recovery of expenditure arising in the charging year will be adjusted in the charge for the following charging year. Amounts paid to the Postal Services Commission in respect of its last "relevant year" as defined in the conditions of licences issued by it under the Postal Services Act 2000 shall be taken into account for this purpose as though the sums paid, and the regulated activities to which they related, were sums paid to Ofcom in respect of Ofcom's functions under the Postal Services Act 2011.

Information gathering guidelines

1. Summary

1. The Act provides Ofcom with powers to require persons to provide it with information for various reasons, including information which Ofcom considers is necessary for the purposes of carrying out any of its functions in relation to postal services²⁶.

2. Before doing so Ofcom must publish a statement setting out our general policy for information gathering. As an interim step, Ofcom's current information gathering statement should be read as if it refers to postal matters.

2. Detail

3. Schedule 8, paragraph 14 of the Act requires Ofcom to prepare and publish a statement of their general policy for information gathering under paragraphs 1 or 3 of Schedule 8, and how we intend to use the information obtained under those paragraphs.

4. Where Ofcom makes or revises such a statement, it must publish the statement in such manner as Ofcom considers appropriate for bringing it to the attention of the person who, in Ofcom's opinion, are likely to be affected by it.

5. Ofcom has a similar duty under section 145 of the Communications Act 2003. This requires Ofcom to prepare and publish a statement of principles in relation to information gathering. Ofcom's current information gathering statement can be found at: http://stakeholders.ofcom.org.uk/consultations/info_gathering/?a=0.

6. Ofcom intends in due course to prepare a consolidated statement of information gathering principles specifically to include information gathering under the Act.

7. In the interim, Ofcom's current information gathering statement, and in particular section 3 (which sets out Ofcom's policy) and section 4 (which sets out the uses to which Ofcom will put the information provided) should be read so as to refer and apply equally (as appropriate) to Ofcom's powers to require the provision of information under section 55 and Schedule 8, paragraphs 1 and 3 of the Act.

²⁶ See section 55 and Schedule 8 of the Act.

Annex 6

Disputes

Schedule 3 Paragraph 13 (3) Postal Services Act 2011 (the 2011 Act) format for submitting a dispute referral to Ofcom

Submissions should be made to:

Investigations Programme Manager, Competition Group
Ofcom
Riverside House
2A Southwark Bridge Road
London SE1 9HA
e-mail: competition.complaints@ofcom.org.uk
Telephone: 020 7783 4100

If you need any further guidance on how to make a submission to Ofcom, please contact the Competition Group's Investigations Programme Manager.

On receipt, Ofcom will send a non confidential version of the dispute submission to the Parties named in the dispute submission. If the dispute submission contains confidential information, you must provide a separate non-confidential version which can be copied to the other Parties, as well as explaining why you believe the information to be confidential.

In the event that Ofcom accepts the dispute submission, Ofcom will normally publish details of the dispute, including the business names of the Parties in Ofcom's Competition and Consumer Enforcement Bulletin on its website. Where publishing a final determination, Ofcom may also publish the non-confidential version of the dispute submission.

Parties referring a dispute must ensure that the information provided is specific and relevant and does not go beyond what is needed to resolve the dispute. The submission of unnecessary or irrelevant information or evidence could delay the opening of the Enquiry Phase. In certain exceptional cases however, in particular with respect to smaller companies or individuals, Ofcom may, taking into account all the circumstances, consider relaxing some of these conditions.

Contents of a submission

Parties are reminded that if they do not refer disputes in the manner set out in these guidelines (Schedule 3, Paragraph 13(3) of the 2011 Act), Ofcom is not obliged to accept the dispute (Schedule 3, Paragraph 14(1) of the 2011 Act).

Supporting evidence may be provided in suitable electronic formats (advice on this can be provided by the Investigations Programme Manager). However, we will require a hard copy of the main body of the submission, with a signed declaration by an officer of the company.

A submission should contain the following information:

Section A: Preliminary information

Please provide:

- business name, address, telephone number, and email address and, if relevant, the contact details of an individual who can discuss the detail of the dispute;
- a brief explanation of the nature of the Party's business (e.g. postal operator, user of postal services) and its scale (local, national, international - approximate turnover is helpful);
- details of the other Party(s) in dispute (nature of the Party's business; contact details);
- details of the relationship between the Parties to the dispute;
- a summary of the dispute including the legal basis according to which the dispute is being referred (e.g. Schedule 3, Paragraphs 13(1) and (2) of the 2011 Act plus identification of the relevant access condition which you consider applies) and an explanation (with evidence) of how the relevant conditions are fulfilled;
- a concise explanation of the commercial context to the dispute;
- a proposed remedy or remedies for resolution of the dispute, in light of Ofcom's powers under Schedule 3, Paragraph 16(2) of the 2011 Act.

Section B: The issues in dispute

Please provide a clear and precise delineation of the scope of the dispute, including:

- full details of the relevant products or services;
- a list of all the issues which are in dispute; and
- a clear and comprehensive explanation of the commercial context to the dispute, including all relevant background and evidence.

Full details of any justification given (including relevant evidence) for the conduct or action leading to the dispute, for example:

- If the dispute relates to a request for a new access product or service: business plans of relevant product or service including forecasts, demonstrating how and when it is intended to make use of the products or services requested.
- If the dispute concerns a variation or amendment to existing agreed terms between the Parties: a copy of the relevant version of the contract or terms, clearly identifying the clauses that are subject to the dispute.

Section C: History of commercial negotiations

Please provide a description of any negotiations which have taken place between the Parties or, in the event that a Party has refused to enter into negotiations, evidence of the submitting Party having taken reasonable endeavours to enter into good faith negotiations.

Ofcom would expect to see:

- details of the steps taken (or the reasonable endeavours to enter into good faith negotiations) to resolve all of the issues which are in dispute;

- an explanation of why commercial agreement could not be reached;
- relevant documentary evidence of commercial negotiations covering the whole period of negotiation, including correspondence, notes of meetings and telephone calls, and a chronological summary of the events; and
- details of any options or proposed solutions put forward by any Party during negotiations, including what, if anything, was accepted, what was rejected and why.

We are aware that in negotiations, Parties may make without prejudice offers in an attempt to settle disputes. We do not wish to dissuade Parties from actively seeking to resolve disputes in this way, and whilst we will wish to see details of such offers where that may be relevant to determining whether meaningful negotiations have taken place, the existence or content of such offers will not be treated as relevant information or determine our resolution of a dispute.

Section D: Ofcom's Statutory and Community Duties

For all submissions, Ofcom expects the following information:

- identification and applicability of any of Ofcom's regulatory principles and statutory duties (as set out in particular in sections 3 and 4 of the Communications Act 2003 and section 29 of the 2011 Act), which the referring party considers is relevant in this case; and
- where relevant, a clear explanation of how the subject matter of the dispute may relate to broader regulatory issues or policies.

Section E: Proposed Remedy

Please include details, with reasons, of the appropriate remedy for the dispute, for example:

- full details, including an accurate technical description, of a requested product or service; and/or
- the specific level at which any relevant charge should be set.

For each suggested remedy or outcome, Parties must also give a full justification and explain how that remedy:

- a) falls within Schedule 3, Paragraph 16 of the 2011 Act, and
- b) would be consistent with Ofcom's statutory duties, as set out in sections 3 and 4 of the Communications Act 2003 and section 29 of the 2011 Act, as well as Ofcom's regulatory principles.

Section F: Supporting information and evidence

Where relevant and available, Ofcom expects the Parties to provide the following specific information and evidence:

- copies of the relevant contract or terms which are the subject of the dispute (see Section B);

- business plans relating to the relevant product or service (see Section B);
- all relevant documentary evidence of commercial negotiations between the Parties relating to the disputed matter or matters (see Section C);
- relevant details about the provision of the product or service in question;
- a full chronology of all the relevant facts;
- detailed and specific cost/price information for the provision of the relevant product or service, as well as cost/price trends (where available). In all cases, costs/price information and data must be presented in a usable format, including, where relevant, a fully executable model;
- full and complete benchmarking data. This could be on an international, industry or other basis. In the alternative, explain why no such data is available or relevant; and
- all relevant previous decisions, determinations, rulings by courts/tribunals, guidance, opinions/recommendations and policy statements at the UK or EC level.

Where you consider that information which falls into one of the above categories is either not relevant, or that information is not available, please explain why this is the case.

In all cases, Ofcom expects the Parties to provide information and evidence that is focused and appropriately tailored to the relevant issues in dispute.

In all cases, Ofcom expects the Parties to provide non-confidential versions of such information and evidence.

Declaration by an officer of the company:

Before making this submission to Ofcom, to the best of my knowledge and belief, [company name] has sought to resolve this dispute through commercial negotiation. All information and evidence provided in referring this dispute to Ofcom is, to the best of my knowledge and belief, true and accurate.

Signed:

Position in the company:

Date:

Acknowledgement of submissions

We will acknowledge receipt of a submission within one working day.

This does not necessarily mean that we think the submission meets the requirements set out above. As set out in section 3, if a submission does not meet the requirements set out above, we will advise you on what else may be needed before we will consider the submission to be complete.

Annex 7

Form of decisions Ofcom intends to make on 1 October 2011

The Postcode Address File – Access

Direction under s.116(5)-(6) Postal Services Act 2000

This Direction is issued by Ofcom under s.116(5) Postal Services Act 2000 and has effect from the Appointed Day.

1. In this Direction, “File” means the Postcode Address File as defined in s.116(3) Postal Services Act 2000.
2. The owner for the time being of the File shall:
 - (a) make the file available to any person who wishes to use it in an electronic format that can be read by computer software packages that are commonly available, and
 - (b) furnish a copy of the File to any person who may request it upon payment of a reasonable charge.
3. The owner for the time being of the File shall not impose as a term or condition (however expressed) of furnishing a copy of the File (or of any revision or update to it) any term or condition other than reasonable restrictions to ensure –
 - (a) that such intellectual property rights in the File as are vested in the owner for the time being of the File are protected,
 - (b) that the File and any updates to it are utilised in an appropriate manner to encourage correct addressing, and
 - (c) that such reasonable charges referred to in paragraph 2(b) are paid.

[signature to be added when the Direction is issued]

The Postcode Address File - Code of Practice

Direction under s.116(2A) Postal Services Act 2000

This Direction is issued by Ofcom under s.116(2A) Postal Services Act 2000 and has effect from the Appointed Day.

1. Definitions:
 - (a) “Postcode Address File” has the meaning given in s.116(3) Postal Services Act 2000; and

(b) “PAF Code of Practice” means the document of that name published by Royal Mail in May 2010²⁷.)

2. The owner for the time being of the Postcode Address File shall:

(a) publish the PAF Code of Practice in such manner as to ensure reasonable publicity for it,

(b) at all times observe the provisions of the PAF Code of Practice, and

(c) not alter the PAF Code of Practice other than with the approval in writing of Ofcom.

[signature to be added when Direction is issued]

Approval of redress scheme

This Approval is issued by Ofcom under section 52 and Schedule 5 of the Postal Services Act 2011 and has effect from the Appointed Day.

Ofcom hereby approves IDRS Ltd to administer the Postal Redress Service for the purposes of section 52 and Schedule 5 of the Postal Services Act 2011.

²⁷ ftp://ftp.royalmail.com/Downloads/public/ctf/rm/paf_code_of_practice_june_10.pdf