



Royal Mail's response to Ofcom's consultation Updating the Regulatory Reporting Framework – Proposed modifications to the USP accounting condition

Overview

Royal Mail welcomes the opportunity to comment on Ofcom's proposals for updating the regulatory reporting framework, which forms an important part of its monitoring regime for the postal sector.

We support Ofcom's proposals in certain respects to reduce and simplify the reporting requirements. In particular, we support Ofcom's proposals to remove the requirement for Royal Mail to submit full costing data on a quarterly basis, to remove the requirements for monthly product cost information and to streamline the product profitability statements.

We are however concerned about other aspects of Ofcom's proposals, which will increase the reporting burden on Royal Mail and which in our view are disproportionate, unnecessary and some cases impracticable. Even after the simplifications proposed by Ofcom, Royal Mail will be required under the USP accounting condition to provide a very considerable amount of financial and operational information to Ofcom on a monthly, as well as on a quarterly and annual, basis as documented in the table below. The table summarises the information which Royal Mail will be required to provide to Ofcom under Ofcom's proposed monitoring regime.

Report	Frequency
1) Statutory accounts for Royal Mail Group Ltd and Royal Mail Holdings plc (required as within the Regulatory Financial Statements there has to be a reconciliation of the Reported Business results to RMG and RMH)	Annual
2) Cashflow projections for the next 18 months for Royal Mail Group Ltd	Quarterly
3) Strategic business plan for Royal Mail Group Ltd and Reported Business	Annual plus updates when approved by Royal Mail
4) Annual budget for Royal Mail Group Ltd and Reported Business	Annual & Monthly in advance, plus updates when approved by Royal Mail
5) Regulatory Financial Statements	Annual
6) Quarterly Income statements for the Reported Business	Quarterly
7) Annual product profitability statements	Annual
8) Quarterly product profitability statements	Quarterly
9) Monthly volume and revenue	Monthly
10) Cost and operational metrics	Monthly
11) Reconciliation showing how the workloads (including weightings) and the operational volumes are derived from the revenue derived volumes	Monthly
12) Annual Financial statements for FREs	Annual
13) Quarterly Income statement for FREs	Annual
14) Annual end to end income statement for USO, non-USO and non-mails	Annual
15) Quarterly end to end income statement for USO, non-USO and non-mails	Quarterly
16) Costing Manual & Technical Appendices	Quarterly
17) Accounting Manual	Quarterly

In particular, we are concerned about the proposed requirement to provide monthly performance information on the Reported Business including the provision of a monthly breakdown of the Annual Budget for the Reported Business, and the proposal to shorten the deadline for submission of the

quarterly regulatory accounts from 90 days to 60. In our view, the first of these requirements would be unduly intrusive due to the frequency of information provision and the second would be neither proportionate nor practicable. We believe a more proportionate requirement in respect of the Reported Business information would be a requirement to provide the information on a quarterly basis with no requirement to provide a calendarisation of the Budget prior to the commencement of the financial year.

Overall, the net effect of Ofcom's proposals would be an increase in the formal reporting burden on the business which in our view cannot be justified. We would urge Ofcom to reconsider its proposed approach to monthly reporting and to the time frames for delivery of quarterly information. We believe the proposed approach is out of line with its statutory obligation and policy objective to minimise the burden of regulation and imposes a significantly higher reporting business on Royal Mail relative to other UK regulated companies.

We set out more detailed comments on each of Ofcom's proposals in the next section. Where appropriate we also provide our view on the appropriate timing for the implementation of the changes.

Royal Mail's position with regard to Ofcom's specific proposals

1. Submission of the Strategic Business Plan and Annual Budget - Para 2.5

Ofcom proposal

- 1.1 If a revision to the Strategic Business Plan or the Annual Budget is made part way through the year, Royal Mail will be required to submit a copy to Ofcom, when Royal Mail has approved it.

Royal Mail Response

- 1.2 Royal Mail will provide Ofcom with any Business Plan or in year Budget updates following plc Board approval.
- 1.3 However, in our view USPAC 1.3.9 (ii) as currently drafted is too general and we propose that it should be amended to clarify that the requirement is to provide the Strategic Plan to Ofcom once it has been approved by the Royal Mail Board.

2. Reported Business in the Strategic Business Plan and Annual Budget - Para 2.10

Ofcom proposal

- 2.1 To require Royal Mail to separate the projections for the Reported Business from the Relevant Group projections in its Strategic Business Plan and Annual Budget.

Royal Mail Response

- 2.2 Royal Mail will provide Ofcom with projections for the Reported Business, appropriately derived from the Business Plan and Budget for UKPIL. This approach is consistent with the information previously supplied to Ofcom for Reported Business projections. Ofcom should note the following caveats:
- The Reported Business is a regulatory construct and does not represent how Royal Mail manages the business.
 - The externally reported Regulatory Accounts view of Reported Business performance – sourced from the costing system – will include some reconciling differences to the view

derived from the UKPIL management accounting information used in budgeting, planning and performance management.

- 2.3 We understand that Ofcom's intention is that this information should be available for financial year 2014-15. As presently drafted Table 2 of the RAGs 1.3.1 (e) and 1.3.1 (g) ¹ identifies that these amendments shall come into effect from 1 April 2014, which is after the start of Royal Mail's 2014-15 financial year. We therefore suggest that the changes to the USPAC 1.3.1 (e) and 1.3.1 (g) ¹ should come into effect from Ofcom's announcement of its final decision on changes to the monitoring regime in relation to the provision of information for the period 2014-15 onwards.

3. Monthly Reported Business Annual Budget – para 2.13

Ofcom proposal

- 3.1 A monthly breakdown of the Annual Budget for the Reported Business should be provided. This will also enable Ofcom to monitor the performance of the Reported Business against both the original and any modified budgets (i.e. reforecast) which may happen part way through the financial year.

Royal Mail Response

- 3.2 We have a number of concerns regarding this proposal. Firstly, Ofcom is introducing a requirement to provide information on a monthly basis for the Reported Business. Royal Mail management review our performance on a monthly basis against our Budget for UKPIL. However we do not believe it is appropriate or proportionate for Ofcom to monitor our performance on the same time horizons as our internal review cycle. We voluntarily provide our monthly management information pack to Ofcom on a monthly basis, for information purposes. Ofcom has an oversight role; it is not responsible for running the business. We do not view it as necessary for Ofcom to receive information on a monthly timescale in order for it to fulfil its statutory duties in relation to post.
- 3.3 Monthly information is volatile due to the nature of the postal market and we believe Ofcom should adopt a quarterly approach to monitor performance as this would be more proportionate. A quarterly reporting regime would enable Ofcom to understand the underlying trends in the business. This is in line with the approach adopted by Ofcom over the past eighteen months where Royal Mail has provided Ofcom with quarterly information on a number of metrics such as productivity. In addition, reporting on a quarterly horizon is consistent with the reporting requirements Ofcom is placing on other postal operators. For example, the notification requirement on Direct Delivery entrants relates to quarterly information; in this consultation paper Ofcom is requiring other operators to provide volume and revenue information on a quarterly basis (para 2.23, footnote 20). We believe that the monitoring regime for the Reported Business should align to the same timescales.
- 3.4 Secondly, we are concerned that, as currently drafted in the USPAC and Regulatory Accounting Guidelines (RAGs), Ofcom are requiring Royal Mail to provide a calendarisation of our budget prior to the start of the financial year. We recognise comparing actual performance against the budget is helpful to Ofcom in its monitoring regime. However we do not believe that it is necessary to provide a calendarised budget to Ofcom before actual performance information is

¹ Table 2 of the draft RAG provided in Annex 5 to the consultation has the amended wording re the annual budget set out within 1.3.1 (f), but this should be in 1.3.1 (g)

available. We believe a more proportionate requirement is to provide actual performance information compared to the forecast budget information, for the relevant time period, at the same time. We recognise that performance information needs to be provided in a timely fashion. We therefore propose that quarterly information on performance of the Reported Business against the budget should be provided one month following quarter end. This timeline aligns with our internal management reporting timescales.

3.5 Thirdly, Ofcom's proposal for calendarised Budget information prior to the start of the financial year is impractical. Royal Mail produces an annual budget for approval by the plc Board in March, ahead of the new financial year. In line with many businesses, the budget is then restated following the year end to reflect a number of required changes; including any year-end adjustments and timing differences (for example, we do not know the actual percentage charge to profits for the Defined Benefit pension scheme until mid-April). In addition, Royal Mail does not produce a performance scorecard for Period 1. As such, the final calendarised budget is not available for reporting until Period 2 reporting in June. This is the earliest date monthly budget information can be provided.

3.6 We propose the following amendments:

1. USPAC 1.3.9 – should specify that updates are provided once approved by RM Board;
2. RAG USPAC 1.3.1(g) – annual budget information be provided on a quarterly basis at the same time as provision of actual performance information

4. Frequency of the provision of costing data – para 2.19

Ofcom proposal

4.1 To reduce the requirement for the full costing data from a quarterly to an annual basis. The provision of output costing data on a quarterly basis will remain to allow Ofcom to monitor Royal Mail's product costs.

Royal Mail Response

4.2 We welcome this proposal as it will reduce the regulatory reporting burden ensuring a more targeted monitoring regime. We agree with Ofcom that review of the quarterly outputs during each year (reported in streamlined Technical Appendices as set out in the proforma in Appendix 1 of the draft revised RAGs) will provide Ofcom with sufficient insight to monitor the product results, with the detailed input information supplied on an annual basis only.

4.3 We suggest that for 2013-14 this change applies to the Technical Appendices for Quarter 3 (due March 2014) and Quarter 4, with the detailed input information to be included only in the Technical Appendices for the full year to be submitted with all the other annual information on 28 July 2014.

4.4 Draft USPAC 1.6.8 (b) refers to quarterly confidential updates to the Costing Manual, we propose that this condition should be amended to reflect the move to supplying only annual Technical Appendices in line with Ofcom's proposal.

5. Submission of the quarterly regulatory accounts – para 2.23

Ofcom proposal

- 5.1 To shorten the deadline for submission of the quarterly accounts from 90 days to 60 days after the end of the financial quarter. Ofcom also intends to change the deadline for submission for other important information within the quarterly monitoring report (such as other operators' volumes and revenues), thus allowing its quarterly monitoring reports to be prepared up to a month earlier than is currently the case.

Royal Mail Response

- 5.2 We welcome the proposed extensions to the volume and revenue reporting requirements on other mails operators. This information will be important in improving Ofcom's understanding of the impact of changes within the postal market as a whole.
- 5.3 Ofcom are proposing to shorten the deadline for submission of quarterly regulatory accounts from 90 days to 60 days. The rationale provided is to 'facilitate a more timely assessment of Royal Mail's financial performance and improve the effectiveness of the regulatory framework'². We recognise the importance to Ofcom of receiving relevant financial and other information from Royal Mail on a timely basis in order to assess the impact of changes such as Direct Delivery and e-substitution on the finances of the Universal Service. However we believe that its objective of being able to undertake more timely assessment of Royal Mail's financial information can be achieved through the provision of the financial and operational information on the Reported Business on a quarterly basis with a deadline of 30 days after quarter end.
- 5.4 We do not believe that it is necessary for Ofcom to receive the quarterly regulatory accounts on a 60 day deadline. The regulatory accounts are an artificial construct, requiring the production of profit and loss accounts for certain product groups and for the Financial Reporting Entities (FREs). This requires detailed transfer charging between
- the downstream entity and the upstream USO and upstream non USO; and
 - between the Upstream USO and the end to end entity.
- 5.5 This information is produced in the costing system which requires detailed input information from the business. The regulatory accounts present a set of information which is not used for running the business. In summary, before provision of this information to the Regulator it is necessary for the information to be appropriately reviewed and analysed by the business as:-
- The regulatory accounts are an artificial construct, and the preparation is outside of normal business reporting;
 - Additional alignment back to the standard reporting levels is required to support internal review;
 - The regulatory statements are dependent to some extent upon completion of the standard financial reporting; and
 - The costing system is run several weeks behind the completion of standard reporting due to the availability of data feeds required for the costing model.

² Ofcom, Updating the Regulatory Financial Reporting Framework, para 2.23

- 5.6 The table below provides further detail on the steps we undertake to produce and review the quarterly regulatory accounts:-

Calendar days after quarter end	Key activities
0-30	<p>ABC model pre-processing commences, including obtaining and reviewing source data from finance and operation resource systems e.g. expenditure, accommodation, compensation. Also maintenance for new cost centres, and General Ledger codes. New products added to routes, and weighting factors and transfer prices determined (at individual format and weight step level)</p> <p>ABC model pre-processing continues, including traffic and revenue files supplied, reviewed and queries resolved</p> <p>ABC model processed, with reconciliation completed and adjustments made where required</p>
31-40	ABC results by pipeline and product (by format and weight step) reviewed and analysed
41-50	Standard ABC reports built and reviewed with Business Partners
51-60	Draft regulatory reports built and alignment/reconciliation to UKPIL results completed
61-70	<p>Regulatory reporting analysis</p> <ul style="list-style-type: none"> • Reporting packs built to support the internal review process • Reporting manuals refreshed and Technical documents built
71-90	Executive sign-off, firstly by key stakeholder teams, then by their individual Directors, and finally by sub-committees of the Royal Mail Board.

- 5.7 We therefore believe that the requirement for quarterly regulatory accounts should remain on a 90 day timescale to provide Royal Mail senior management with sufficient time to review this information before submission to Ofcom.
- 5.8 We recognise that time will be freed up within the Royal Mail Costing and Business Insight Team by Ofcom's proposal to remove the need for detailed Technical Appendices setting out the inputs to the Costing System each quarter. However this does not significantly affect the people within the Team who are directly involved in the production and review of the quarterly regulatory accounts, and does not shorten the time necessary for senior management review and approval of these accounts.
- 5.9 As previously stated we believe the additional information that will be provided on the Reported Business, provided on a quarterly basis, will enable Ofcom to meet its stated rationale of being able to undertake more timely assessment of Royal Mail's financial performance and improve the effectiveness of the regulatory framework in a more targeted fashion.

6. Submission of Technical Appendices – para 2.26

Ofcom proposal

- 6.1 Both the Costing Manual and Accounting Methodology Manuals are to be submitted 60 days after the end of the financial quarter, not 90 days. This will ensure the quarterly regulatory accounts are accompanied by the supporting manuals that set out the methodologies applied in the accounts.

Royal Mail Response

- 6.2 We believe the supporting Manuals and Technical Appendices should be prepared to the same timescales as the quarterly regulatory accounts.

7. Auditor approval – para 2.32

Ofcom proposal

- 7.1 That the requirement for Ofcom to approve the choice of auditors every year is removed, and Royal Mail is instead required to notify Ofcom of its choice of auditors and their terms of engagement 60 days prior to the appointment of the auditors. This would allow Ofcom sufficient time to intervene if necessary, for example by initiating a public consultation on the choice of the auditors and/or their terms of engagement.

Royal Mail Response

- 7.2 We agree in principle with this proposal however we believe that the current proposal is not workable in practice, as set out below.
- 7.3 Under the current regulatory reporting regime Ofcom had to approve the choice of auditors, with the requirement to undertake a full consultation on this topic each year before it could approve the auditors. We believe this is an unnecessary requirement and welcome Ofcom's proposal to change this requirement.
- 7.4 For example, in February 2013 Ofcom undertook a consultation on the appointment of the auditors for the regulatory accounts, Royal Mail was the only respondent to the consultation. At that time we suggested that Ofcom made an amendment to the auditor approval requirement along the lines that are now being proposed. However we have reservations about the practicalities of the detail of the proposal, particularly if we were to appoint new auditors following a tendering process, as required by the report issued by the Competition Commission on 15 October 2013.
- 7.5 For example, in a year when we tender for audit services, we cannot inform Ofcom in advance as until the tenders are reviewed we won't know who has been appointed, and we cannot then wait 60 days before informing the successful company.
- 7.6 As a listed company the shareholders have to approve the auditors for our statutory accounts, and historically we appoint the same auditors for our regulatory accounts, in order to increase efficiency of the overall audit process. The process for appointing auditors for 2013-14 is already very advanced.
- 7.7 We suggest that this issue needs further discussion between Royal Mail and Ofcom to establish a practicable solution that would be equally applicable to appointment of existing and replacement auditors. We would like to work with Ofcom to ensure that the amended USPAC satisfies

Ofcom's intention to be informed of the choice of auditors and their terms of engagement in advance, with the ability for it to intervene if it deems it necessary, as well as Royal Mail's need to manage the audit appointment process efficiently. A potential option, which we would like to explore with Ofcom, is to inform Ofcom of the audit firms being considered as part of the tender process enabling it to raise concerns at a sufficiently early stage in the process.

8. Audit opinion – para 2.35

Ofcom proposal

- 8.1 To require the audit opinion to include a reference to the Guiding Principles, in addition to the RAG. This will ensure that the assurance given by the audit is explicit that the accounts have been prepared in accordance with the Guiding Principles.

Royal Mail Response

- 8.2 We propose that the audit opinion should be amended to include the following statement which provides explicit reference to the guiding principles.
- 8.3 "These Financial Statements have been prepared in accordance with the "Regulatory Accounting Guidelines", the Regulatory Accounting Methodology as agreed with the Regulator, based on the Guiding Principles as required within USPAC 1.7.2".
- 8.4 There are eight separate Guiding Principles, and it is assumed that our auditors would not have to give an explicit opinion on each of them individually.

9. Quarterly exceptional cost information EBIT margin – para 2.45

Ofcom proposal

- 9.1 Royal Mail is to be required to provide EBIT both before and after all exceptional costs within the quarterly regulatory income statements. In addition, it is also proposed that the annual and quarterly income statements contain a breakdown of the items of revenue or cost that Royal Mail categorises as exceptional, together with explanations as to the nature of each item and the reasons why it arose.

Royal Mail Response

- 9.2 Under the Postal Services Act 2011 Ofcom's primary duty is to ensure the financial sustainability of the universal service provider. Financial sustainability includes the need for a reasonable commercial rate of return. As part of the regulatory framework introduced in March 2012 Ofcom set out that it believed an indicative EBIT margin of 5-10% would be consistent with a commercial rate of return. Ofcom stated that the EBIT margin was on a pre-exceptional basis 'except where exceptional items could be shown to be recurring (including recurring restructuring or redundancy costs)'³.
- 9.3 We recognise that it is important to provide Ofcom with a breakdown of the components of the exceptional costs. We have been providing this additional information regarding exceptional items to Ofcom each quarter in response to specific requests.
- 9.4 While we recognise that it is important that we provide a breakdown of the exceptional costs incurred in the Reported Business we believe that the level of detailed disclosure should align with the disclosure in the Statutory Accounts. For example, in the 2012/13 statutory accounts the exceptional items for UKPIL that would be relevant to the Reported Business were analysed between voluntary redundancy, business transformation payments, project and property costs, impairments, and legacy industrial diseases. The split provided on exceptional items will vary in our annual reports depending on the components of exceptionals.

10. Monthly Reported Business budgeted revenue and volume information – para 2.49

Ofcom proposal

- 10.1 The budgeted revenue and volume, for each financial month, should be reported separately for the products and services of the Reported Business. Given the seasonal nature of the business, this would enable more detailed variance analysis to be performed.

Royal Mail Response

- 10.2 We disagree with Ofcom's proposal for provision of monthly budgeted revenue and volume information. In our view the timescales for reporting revenue and volume information to Ofcom should be applied consistently across the industry. Ofcom are introducing a requirement on other postal operators to provide information on a quarterly basis. We believe the requirement on Royal Mail should align to the same time period. Hence we propose that USPAC 1.4.1 (k) should be amended to require 'quarterly' information rather than 'financial month' information.
- 10.3 We currently provide actual monthly volume and revenue by product groups to Ofcom. Ofcom's proposal extends the requirement to provide budget information. As discussed, in section 3, calendarised budget information is not available for reporting until period 2 which is reported in June and hence Ofcom's current proposal is not practicable.
- 10.4 We propose that USPAC 1.4.9(d) should be amended to require information to be provided on a quarterly basis and 30 days after quarter end to ensure that Ofcom receive the information on a timely bases.
- 10.5 However for period 6 and 12 results we believe a different timescale is required. At the half year (Period 6) and the full year (Period 12) the management accounts are subject to additional scrutiny to ensure alignment with the Statutory Accounts that are provided to the market. This exercise increases the timescales for producing and reviewing the analysis of performance against the budget. We propose that the timing requirement for Period 6 and Period 12

³ Ofcom, Final guidance of Ofcom's approach to assessing end to end competition, p9, footnote 12

information should be aligned with the publication of our half year and full year results. This approach is consistent with the approach adopted for provision of the monthly management information pack to Ofcom which we have been providing since the introduction of the new regulatory regime in March 2012.

11. Monthly Reported Business budgeted revenue and volume information – para 2.50

Ofcom proposal

11.1 Royal Mail should provide revenue and volume split by format on a monthly basis.

Royal Mail Response

11.2 We support Ofcom's request for revenue and volume information split by format. It is important that Ofcom understands the key underlying trends in the business. This proposal aligns with how Royal Mail reports performance to the market. However, as previously discussed we believe the requirement should be to provide quarterly information not monthly information.

11.3 We believe this will provide the necessary level of detail for Ofcom to understand a key driver of business performance impacting the overall financial performance of the Reported Business. The same issues regarding provision of Period 6 and 12 information apply as discussed in section 10.

12. Monthly Reported Business budgeted cost and efficiency information – paras 2.52 and 2.53

Ofcom proposal

12.1 The provision of monthly cost data for all the products and services of the Reported Business will no longer be required.

12.2 Instead the following metrics will be required on monthly basis for the Reported Business, showing actual and budgeted results:-

- Productivity metrics (gross hours, workload, and productivity data);
- Staff headcount;
- Full Time Equivalent data; and
- Transformation spend and data.

Royal Mail Response

12.3 We welcome the removal of the requirement for monthly product cost information, as we are aware that Ofcom has found other metrics more useful in its monitoring work. Ofcom have proposed requiring a number of new metrics on a monthly basis. We have been providing the above mentioned metrics on a quarterly timescale to Ofcom in response to specific requests from Ofcom. As previously discussed, in section 3, we believe that this information should be provided on a quarterly timeframe as monthly information provision is unduly intrusive.

12.4 In addition we propose that the information should be provided only on a year to date basis to align with the reporting of volume and revenue as set out in Figure 15 (a) of the proformas within the draft revised RAGs. We have provided a revised proforma table 15b to reflect this

proposal. We have included some minor changes to the labels in the table to provide greater clarity.

- 12.5 We note that the draft USPAC 1.4.1 (k) and RAG Table 3 still refer to the original single revenue, volume and cost information statement relating to products and/or services. We believe the current drafting is potentially misleading and suggest that the wording of this condition should be clarified to remove the reference to costs in relation to products and services, making explicit that the cost information required relates to operational cost metrics consistent with the information required in table 15(b).
- 12.6 Ofcom are proposing, in the draft RAG, that Royal Mail provide a monthly reconciliation between revenue derived traffic and workload. Royal Mail has a detailed methodology for converting revenue derived traffic into a workload measure which has been reviewed and validated by external parties. This information has been shared with Ofcom as part of the engagement on the Strategic Plan. We believe Ofcom's current proposal to provide a monthly reconciliation is unduly intrusive and a more proportionate requirement would be to provide a reconciliation between revenue derived traffic and workload on an annual basis. We note the Ofcom has not provided a rationale in its consultation paper on why it believes this information is either required or required on a monthly basis.
- 12.7 Ofcom have provided a definition of Full time Equivalents in the draft RAG. This definition is slightly different to the definition used by Royal Mail. For reporting of Full Time Equivalents Royal Mail adopts the following calculation methodology: frontline hours worked including overtime and scheduled attendance divided by the standard hours for the period, plus the number of administrative heads. This includes agency/temporary resource but excludes contractors. We request that Ofcom amends the definition of FTEs in the RAG (page 9) to align to the definition used by Royal Mail in our reporting of FTEs.

13. Streamline of Product Profitability Statements – para 2.56

Ofcom proposal

- 13.1 The product groups will be modified and streamlined to provide more targeted and relevant information. Certain groups will be merged where granularity is not essential for the monitoring regime. This results in a reduction in the number of Product Profitability Statements (PPSs) to 25 product groups.

Royal Mail Response

- 13.2 We welcome Ofcom's recognition that the Postcomm market study is out of date. We believe that Ofcom's proposed rationalisation of the product groups, particularly to separate out those that relate to specific regulatory measures, such as the USP Access Condition 6 margin squeeze test, and the Safeguard Cap requirements provides Ofcom with a more useful tool for monitoring Royal Mail's performance against regulatory targets. We believe that there may be further scope to refine the PPSs, following a full review of market definitions. We note that Ofcom have not consulted on removing the requirement to publish the results of our Relay product as a separate PPS. As discussed, in previous regulatory submissions, we do not believe it is appropriate for the profit and loss account for Relay to be published as this product is in a fully competitive market, and publication of its results places Royal Mail at a competitive disadvantage.
- 13.3 We suggest that the changes to the product profitability statements should be applied from the start of the 2014-15 financial year, as we believe it is sensible to change the structure of the regulatory accounts from the beginning of the financial year rather than part way through the year.

14. Cash flow scenarios – para 2.60

Ofcom proposal

- 14.1 Remove the requirement for separate ‘best case’, ‘most likely’ and ‘worst case’ scenarios, instead allowing Royal Mail to provide the sensitivity analyses that are provided to Royal Mail’s Board.

Royal Mail Response

- 14.2 We welcome the move towards using the same information that Royal Mail’s Board uses to manage the business rather than requiring the creation of information solely for regulatory purposes.
- 14.3 We suggest that this change applies as from the submission that is due on 28 March 2014.