

## Cover sheet for response to an Ofcom call for inputs

### BASIC DETAILS

Consultation title: Review: Mail Integrity and Postal Common Operational Procedures

To (Ofcom contact): Sean O'Hara

Name of respondent: Michael MacClancy

Representing (self or organisation/s): DX Network Services Ltd and DX Secure Ltd

Address (if not received by email):

### CONFIDENTIALITY

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

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

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Name: Michael MacClancy

Signed (if hard copy)



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4 April 2013

Dear Sean,

## **Review: Mail Integrity and Postal Common Operational Procedures**

### **Call for inputs**

DX appreciates the opportunity to contribute to Ofcom's call for inputs.

*In brief: These procedures are functioning well and there is little need for change. The PCOP requirements around Code Identifiers are unduly prescriptive and should be modified in order to maximise usage of the PCOP and reflect modern practice. The PCOP Agreement Secretary should arrange an annual meeting to review the performance of the Code.*

*Q2.1 and Q3.1 Should the procedures be owned and managed by the industry subject to Ofcom supervision?*

Whilst DX generally welcomes industry self-regulation, we do not believe that this would be helpful for MICOP and PCOP. These have functioned very well under Postcomm's and subsequently Ofcom's direct supervision and the introduction of industry ownership and management would create an unnecessary level of bureaucracy and cost.

*Q2.2 and Q3.2 Should the procedures be extended to cover all postal operators or specific types of postal operator?*

We are not aware of any problems in the postal market that would require this measure.

*Q2.3 Are the current reporting requirements of MICOP appropriate?*

Our understanding is that for operators other than Royal Mail the number of mail integrity incidents is minimal, reflecting the low level of competition in the regulated mail sector. We therefore see no need to change the current reporting requirements but we would understand were Ofcom to keep them



under review pending the development of alternative delivery systems.

*Q2.4 Would the publication of certain reported information provide a benefit to postal users?*

We do not see a need for mail integrity information to be reported. It would be very difficult to publish information in a way that was fair to all operators given their different sizes and nature of operations.

*Q2.5 Should operators meet certain identified standards rather than comply with operational requirements?*

The current system of compliance with operational requirements functions well and is easy to administer. We do not see any need to change from this.

*Q2.6 Is the current level of detail in the requirements of MICOP appropriate?*

Yes, MICOP functions well as currently specified and there is no need for change.

*Q2.7 Are the costs of complying with MICOP proportionate?*

Yes, Postcomm did a good job of specifying MICOP so that it reflected good business practice. The additional costs of complying with MICOP are therefore minimal.

*Q2.8 Are there any other issues in relation to MICOP on which Ofcom should consult?*

No.

*Q3.3 Is the current scope of the PCOP Code appropriate?*

We see no need to alter the current scope of the PCOP Code but we believe that the definition of Code Letter should be changed in order to remove ambiguity. i.e. As currently defined all Letters carried by regulated postal operators and costing less than £1 and weighing less than 350g would be Code Letters. It is surely not the case that Letters for which it was not previously necessary to hold a licence should be treated as Code Letters.

*Q3.4 Are the costs of complying with PCOP proportionate?*

The costs of complying with PCOP are generally proportionate although the requirements around Code Identifiers are unduly prescriptive and cause unnecessary costs. This concern is discussed below.

*Q3.5 Are the current requirements in CP2 and the PCOP Code appropriate?*

Given that these requirements appear to be having the desired effect and the compliance costs are generally proportionate it seems right to conclude that they are appropriate except in respect to the need for an annual review



meeting and the requirements for Code Identifiers discussed below.

*Q3.6 Should the modification process for the PCOP Agreement remain part of CP2?*

Yes. For the reasons given previously it is not necessary for this to be managed by the industry.

*Q3.7 Are there any issues relating to the PCOP Code or the PCOP Agreement on which Ofcom should consult?*

As we said in our previous contribution to this discussion, DX considers that the effectiveness of the PCOP Code would be enhanced if the Secretary of the PCOP Agreement (currently Royal Mail) arranged and chaired an annual meeting for signatories of the PCOP Agreement to discuss their experiences and the effectiveness of the PCOP Code during the previous year. Although the PCOP generally functions well we do believe that there is a need for the greater transparency that would be provided by such a simple administrative procedure.

DX believes that the current requirements relating to the Code Identifier are unduly prescriptive and thereby restrictive. They are also discriminatory because they favour Royal Mail's operational practices over those of other operators.

The Code Identifier is the "mark, number or other identifier unique to each regulated postal operator as may be allocated ... by Ofcom". The Code obliges regulated postal operators to take all reasonable steps to ensure that their Code Identifiers are clearly and legibly marked in accordance with industry practice on each Code Letter in respect of which they are the intended operator. Furthermore, should an operator elect to extend the application of the code to Voluntary Code Letters then these must be clearly and legibly marked in accordance with industry practice with the relevant Code Identifier<sup>1</sup>.

DX proposes that the words "in accordance with industry practice" be removed from the Code. "Industry practice" is interpreted by the "Code Identifier guidelines" in Annex F of Postcomm's August 2005 decision. These, in turn, appear to be based on Royal Mail's standards for indicia. This is an undesirable situation because it prevents innovation that could result in better

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<sup>1</sup> There is a presumably unintended difference between the requirements for marking Code Letters and Voluntary Code Letters. Whereas the operators must take "all reasonable steps" to ensure that the Code Identifier is marked on Code Letters, the requirement for Voluntary Code Letters is absolute. In its August 2005 decision, Postcomm acknowledged the risks of an absolute requirement to apply a Code identifier and DX does not now consider that there is a reason to reassess the situation. Ofcom needs to change the Code in order to remove the absolute requirement to apply a Code identifier to Voluntary Code Letters.



or cheaper indicia systems<sup>2</sup>. What is important is that the intended operator is identifiable and this can be done in ways other than that mandated in the Code Identifier guidelines.

The guidelines also have the surely unintended consequence of reducing competition in the mail market because of customer inertia resulting from the need to change pre-printed envelope stocks. If one postal operator wins business from another then it is necessary to wait for the customer to deplete its envelope stock before trading. Otherwise, it is necessary for the new operator to compensate the customer's cost.

The Code Identifier requirements furthermore restrict the use of the Agreement on a voluntary basis for non-Code Letters. This is because operators and their customers will be reluctant to apply Code Identifiers to non-Code Letters. Doing so increases cost and can result in confusion about whether the items are within the scope of the postal redress scheme. The intended operator of non-Code Letters will normally be clearly identified on the item but not in a way that complies with the Code Identifier requirements. The PCOP Code should recognise industry practice and be less prescriptive about how operators make use of its valuable features.

Yours sincerely,

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<sup>2</sup> Examples include indicia that are visible through the envelope window or carried on a label in the addressing area. "IT Franking" has been available in Germany since 2006.