



Postal regulation: Transition to the new regulatory framework

Royal Mail's response

September 2011

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Introduction

- 1 Ofcom has issued a consultation on its arrangements for the transition to the new regulatory framework for postal services. This sets out Ofcom's proposals:
 - for new regulatory conditions to apply from 1 October 2011;
 - provisionally to designate Royal Mail as a universal service provider;
 - to re-approve the Postal Redress Service (POSTRS) and the consumer redress scheme criteria;
 - for the charging principles; and
 - for information gathering.
- 2 Royal Mail welcomes many of Ofcom's proposals, including the designation of Royal Mail as a provisional universal service provider, the approval of the current redress scheme, the removal of unnecessary Licence conditions and the cessation of Condition 21 in March 2012.
- 3 To accomplish the transition by 1 October 2012, Ofcom is required to complete a considerable amount of work in a short time period. Royal Mail believes it is important that the new arrangements work effectively and allow Ofcom, Royal Mail and other regulated postal operators to concentrate upon the wider regulatory changes needed by April 2012.
- 4 Whilst we recognise that the regulatory conditions to apply from October 2011 are required to be substantially similar to the current Licence conditions, we believe many of the conditions should be removed.
- 5 Royal Mail's response is divided into two sections. The first section sets out our views on the regulatory conditions to apply from 1 October 2011. Our response on the other areas of the consultation is provided in the second section. There are also two annexes: Annex A giving more detailed comments upon the proposed regulatory conditions and Annex B with our proposed changes to T4 (Condition 21). Annex B is provided as a separate document.

Regulatory Conditions to apply from 1 October 2011

- 6 This section summarises Royal Mail's response on the regulatory conditions Ofcom proposes to put in place from 1 October 2011. Further detail is provided in Annexes A and B.

General comments

- 7 Royal Mail broadly agrees with the approach Ofcom has taken to the proposed regulatory conditions. This is a complex process taking place in a short period of time, under which Royal Mail is moving from very specific and familiar areas of control and information provision under the Licence to the new arrangements. Royal Mail will be required to meet these conditions at least until April 2012. Whilst Ofcom is not seeking to make any substantial changes to the regulatory regime, there are various points where the effect of, or rationale for, the changes is not fully clear to us, and some points where the new conditions do not appear to us to be substantially the same as the current Licence conditions. We have discussed some of these areas with Ofcom and comment upon them in this response. There may, however, be additional points emerging from Ofcom's consideration of the responses.
- 8 It is important to Royal Mail that the new regulatory conditions provide certainty and do not require undue attention from Ofcom or the postal operators during the wider transition to a new regulatory regime. We therefore believe it would be helpful for Ofcom to offer a further opportunity for Royal Mail to review the full text of the new conditions and, if necessary, to discuss these with Ofcom before they take effect on 1 October 2011.
- 9 Royal Mail agrees with Ofcom's proposal to end the current Licence Condition 21 on 31 March 2012. As set out in previous submissions to Postcomm and Ofcom, Royal Mail's view is that the evidence strongly indicates that a de-regulated competition law approach to postal regulation is now essential. The cessation of the whole Condition will allow scope for a full review, not constrained by the focus on certain provisions because it might be possible to isolate them either immediately or over the course of the initial transitional period.
- 10 Royal Mail agrees that Conditions 11, 12, 17, 18, and 19 of its Licence are unnecessary. To avoid any uncertainty, Ofcom should also make it clear that the undertaking made under C11 also falls away when Condition 11 ceases to exist from 1 October 2011.
- 11 We are aware that the regulatory conditions will need to incorporate any changes made as a result of recent consultations by, or decisions pending from, Postcomm:

- (i) proposed dispensation from the requirement for Royal Mail to offer terms under Condition 9, Part 1, paragraph 2(b) of its Licence;
- (ii) an application by Royal Mail for a direction for exemption from aspects of Licence Condition 7 for large packet contracts, which may also require a direction under C21;
- (iii) Postcomm consultation on Royal Mail applications to amend and align its terms and conditions, where Royal Mail is seeking a direction under Condition 21 paragraph 4;
- (iv) Postcomm consultation on Royal Mail's application to run a delivery to neighbour trial, where Royal Mail is seeking:
 - a. a derogation from Condition 7 of its Licence to allow notification to customers about the trial to be made with only one month's notice;
 - b. a direction or agreement from Postcomm that during the period of the Delivery to Neighbour Trial, the term "delivered correctly" under Condition 4.1(e) shall include delivery to a neighbour;
 - c. a direction or reassurance that, in undertaking a Delivery to Neighbour trial, Royal Mail is not in breach of Condition 8 and the Mail Integrity Code, to the extent that Royal Mail continues to take all reasonable efforts to facilitate achievement of the mail integrity objectives during the trial period, and
 - d. either confirmation at the successful completion of a trial that Condition 21.4 does not apply or a direction under Condition 21.4 to change non-price terms.

12 Ofcom does not explicitly set out how it proposes to incorporate any such changes into the new regulatory conditions. Whilst CP4.1 allows for Ofcom to adopt any directions made by Postcomm in respect of Condition 7 no similar provision has been made for directions concerning Conditions 4, 8, 9 or 21. Ofcom should clarify the mechanism it will use to deploy such changes.

13 Postcomm has recently issued a consultation on revisions to the revised Postal Common Operational Procedures Agreement (PCOPA). Royal Mail, in this instance, is content for Ofcom to require regulated postal operators to sign up to the revised PCOPA. We believe this will address one of our current concerns, i.e. the number of licensed postal operators who have not signed up to this agreement. We have provided comments on the revisions in Annex A of this response. We will also respond to Postcomm's consultation process, for the sake of consistency, together with a notice that we prefer Ofcom to impose this agreement on all relevant postal operators to ensure consistency and compliance across the board and as the most efficient way to implement the consequential changes needed.

14 Royal Mail has some further issues with Schedule 2 of the PCOPA, which we wish to discuss with Ofcom at the appropriate time. We reserve the right to exercise our

existing rights under the amended PCOPA to effect these changes under an industry solution on the basis of clause 12 of the PCOPA in the first instance.

Specific points of transposition

15 Royal Mail have undertaken a detailed review of the proposed regulatory conditions and have identified some areas where there are errors or where we believe the transposition is not substantially similar to the current Licence Conditions or may otherwise have unintended consequences. We set out a list of these points in Annex A, together with a proposed solution. For T4 (Condition 21), we also provide at Annex B a marked-up draft of the changes we consider are required.

16 A summary of the main points is as follows:

- Special Delivery Next Day not posted on account (service 14) should be included in DUSP1.3 (Licence Condition 2);
- for CP4 and Acc 1.1 (Licence Conditions 7 and 15) the original terms “licensed” and “non- licensed”, which concern only conveyance, should be restored, as the use of broader terms such as “postal services” would increase the scope of these conditions;
- the current drafts of DUSP5, CP1 and CP2 are broader in scope than Licence Condition 4. They should be redrafted to refer to the current defined terms “scheduled services”, “scheduled standards” and “standardised measures” and where appropriate to “generic groups of products” as defined in the Annex rather than single services;
- DUSP5 also incorporates the full text of the Annex to the Postal Services Directive (which defines standards for cross- border mail) and applies the other requirements of the current Licence Condition 4 to these standards. This extends unnecessarily the scope of the Condition.
- CP6 (Condition 20) should be redrafted to reflect the current arrangements for postal operators to pay the costs of Consumer Direct.

17 For T4 (Condition 21), we also provide at Annex B a marked-up draft of the changes we consider are required. Our approach to the proposed amendments follows the following principles:

- the operation of the licence can be locked down for $t=5$ based on existing audits, which allows references to preceding years to be removed from any calculations;

- there is to be no change to the operation of the licence for Formula Year $t=6$ (2011/12);
- there is no new documentation requirement and only cross reference to existing documents;
- on occasions, the descriptive text of figures is unnecessary e.g. in respect of the pension adjustment;
- compliance with the Postal Services Directive.

Review of the general conditions

- 18 Ofcom's revised workplan for 2011/12 includes in December 2011 a review of general authorisation, to ensure that the authorisation conditions applicable to postal operators under the new regulatory regime are fit for purpose. Royal Mail will provide detailed input to this review,
- 19 Royal Mail believes that many of the current licence conditions should be removed or reduced in scope. For conditions other than universal service conditions, other operators should have the same obligations as Royal Mail. We set out below some observations from our review of the initial conditions.
- 20 Royal Mail notes that Ofcom has incorporated the majority of Condition 7 of its Licence into the consumer protection conditions. We do not believe that the current extensive requirements placed upon Royal Mail to notify and publish details of new product launches or existing product changes should remain in a consumer protection condition. From April 2012 any such requirements should only apply to universal service products.
- 21 Consumer protection conditions CP1 and CP3 place quite different requirements upon Royal Mail and other operators in respect of performance monitoring and reporting for non-USO products. There should be parity in this condition, both to create a level playing field for operators and to provide useful comparative information for consumers.
- 22 The Mails Integrity Code of Practice (E/A1) will apply as an essential condition to all regulated postal operators. Royal Mail has put considerable effort into achieving and continuously improving levels of compliance with the current Condition 8 requirements, and produces a Loss Estimates Report each year. We believe that the standards of compliance and reporting have not been applied consistently across the industry sector. Whilst it may not be appropriate to apply the Code of Practice in the same fashion to all operators, there must be proportionate degrees that would ensure that all operators are meeting minimum standards.

23 All regulated postal operators should contribute to the funding of Consumer Focus and Consumer Direct (CP6). We believe that at present only Royal Mail provides postal sector funding for Consumer Focus, estimated at £3.1m for 2011/12 (22% of Consumer Focus' core operational budget).¹

Other transitional arrangements

24 This section sets out Royal Mail's response on the other elements of Ofcom's proposals:

- (i) provisionally to designate Royal Mail as a universal service provider;
- (ii) to re-approve the Postal Redress Service (POSTRS) and the consumer redress scheme criteria;
- (iii) for the charging principles; and
- (iv) for information gathering.

Provisional designation of universal service provider

25 Royal Mail agrees with the provisional designation of Royal Mail as a universal service provider.

Approval of a redress scheme

26 Royal Mail supports Ofcom's approval of the current postal redress scheme POSTRS pending a wider review of complaint handling and redress during 2012/13 and has renewed its contract with POSTRS.

27 Royal Mail believes that the way in which POSTRS is funded in future will need to be reviewed, particularly if the scope of redress arrangements changes or there is to be more than one redress scheme.

Charging principles

28 Schedule 4 of the Act allows Ofcom to recover administrative charges from postal operators providing services within the scope of the universal postal service. Those services within the scope of the universal postal service need to be defined. Royal Mail's view is that this includes the universal service activities, which are defined to include a

¹ <http://www.consumerfocus.org.uk/files/2009/06/Annual-plan-2011-12.pdf> page 19

daily delivery and collection service. Access operators use this universal service delivery network which regulated by Ofcom and therefore should make a fair contribution to the cost of regulating the universal service.

- 29 The charges for Ofcom in respect of the costs of integration and its ongoing costs are not set out in the consultation. The provisional budget for ongoing postal regulation in 2011-12 is £8.9m.²
- 30 Ofcom's draft charging principles are similar to those used for recovering Postcomm's costs in Condition 20 of Royal Mail's Licence, except that:
- there is no minimum payment of £1,000;
 - access payments are explicitly excluded from turnover calculations other than for payments to the USP;
 - payment is due immediately upon receipt of notice of amount due rather than within one month (or by the end of June).
- 31 There are some differences to the charging principles Ofcom uses for other industries, in particular:
- the threshold for telecoms is £5m turnover for relevant activities, as opposed to £10m for post, which is a much lower threshold for a much larger industry;
 - telecoms payments over £75,000 pa are billed monthly rather than paid in one instalment as for post.
- 32 Royal Mail believes that all regulated postal operators providing services within the scope of the universal service should contribute to the cost of regulation, including a minimum payment. We would like to discuss with Ofcom how this could be achieved.
- 33 It would be helpful for the charging principles to indicate when Ofcom will give notice of the charges due; We also consider that postal operators should be able to pay their charges monthly, where those charges are substantial.
- 34 Royal Mail welcomes Ofcom's intention to review the statement of principles for the charging year from 1 April 2012. We will provide further comments to assist Ofcom in its review.

² <http://www.psc.gov.uk/documents/1799.pdf> page 23

Information gathering

- 35 Royal Mail notes the use of Ofcom's current information gathering statement on an interim basis and the intention to prepare a consolidated statement in due course.
- 36 Ofcom's proposals provide for the right, in certain circumstances, for any person or operator to whom a draft information request has been issued to provide comments on this draft and to make representations in advance of Ofcom confirming a final request. Royal Mail welcomes this preference to work with operators which is beneficial for all parties.
- 37 We will provide further comments to assist Ofcom in its preparation of a consolidated statement in due course.

Next Steps

- 38 We are happy to meet with Ofcom to discuss our response and to review and provide input to further drafts in order to help achieve a smooth transition.

Annex A: Detailed comments on regulatory conditions

Old Ref	New ref	Issue/comment	Proposed solution
Condition 1	Schedule Part 1	<p>We notice that Ofcom has used the definitions of loss, stolen, theft and damage from the C.8 Code of Practice rather than from C.1. There are small differences between the definitions.</p> <p>For loss and damage we think it is correct to use the C8 definitions but should point out that the C.1 definitions are technically picked up in C4.17 and C4.19. As C4.17 is ceasing and C4.19 simply refers to Royal Mail's loss and damage compensation schemes we do not think this will cause a problem.</p> <p>For the term "stolen" the C1 definition is limited to "Postal Packets (stolen) in the course of conveyance", so the proposed definition is broader.</p>	<p>Define "Stolen" as misappropriated in the course of conveyance by the regulated postal operator contrary to the Theft Act 1968. This is appropriate to Condition 8.</p>
Condition 1	Schedule Part 1	Ofcom state that Postcomm is consulting on a change to the incident guidelines. Postcomm is consulting at Royal Mail's request on a more general exemption to Condition 8 in respect of its delivery to neighbour trial. We are not aware of any other consultation.	Clarify with reference, or amend.
Condition 1	Schedule Part 1	No definition of a "trading business" is provided contrary to what was included in the Licence. The term "trading business" continues to be used in C10(3) and its successor USPA 3.2. The removal of the definition of "trading business" essentially expands and broadens the scope of the restrictions imposed by C10(3)/USPA 3.2.	The definition should be reinstated.
Condition 1	Schedule Part 1	The definition of working day in Condition CP7, 8 and 9 should be tightened to give the same definition of public	"Working day" in Condition CP 7, 8 and 9 means any day other than a Saturday, a Sunday, Christmas Day, Good

Old Ref	New ref	Issue/comment	Proposed solution
		holiday as PSA 2000 s.125(1).	Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom
Condition 1	Schedule Part 1	<p>Ofcom highlights the broader definition of access points under the 2011 Act, which no longer just refers to the network used to provide the universal service. Ofcom has not qualified the definition in all cases in the new conditions.</p> <p>Royal Mail collects from other access points not used in the provision of the USO, in particular. private posting boxes. These boxes are owned, or rented from Royal Mail, by a customer. They are typically located in hospitals, supermarkets, etc and are accessible to the public. Royal Mail collects stamped mail from these boxes under contract. These access points are outside the universal service and may not receive a collection on every working day. They are not included in any exception arrangements under Condition 2, or in the provision requirements under Condition 3, or in the measurement and standards under Condition 4.</p> <p>To include these boxes in the new conditions would be an extension of regulation.</p>	We have checked the references to access points in the new conditions and comment below on whether we think any further qualification is required to avoid an unintentional extension of regulation.
Condition 4.1(i)	Schedule Part 1	We do not classify non USO access points by specified collection time. The definition needs to be totally clear on this.	“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”.

Old Ref	New ref	Issue/comment	Proposed solution
C2.3	DUSP 1.3	Reference to special delivery number 14 from the C21(38) list is missing and needs to be replaced. Its omission would in our opinion render this condition substantially different given the importance of providing an insured service.	Replace reference to service 14.
C2.4(a)(ii)	DUSP 1.4b(ii)	The Act defines access points more broadly but is clear that part 1 of the second requirement at section 31 only applies to USO access points. The redrafted Condition only refers to the general definition of access points.	Qualify as "access points for onwards transmission in connection with the provision of a universal postal service"
C3.1	DUSP 3.1	We do not object to the inclusion of this paragraph but we are not aware of any Directions having been issued under C3.1. If Ofcom are aware of any, please bring this to our attention.	
C3.3	DUSP 3.3	The condition only applies to USO access points. For other paragraphs this is clear by reference to DUSP 3.1 but this paragraph does not refer to DUSP 3.1 or DUSP 3.2(b)	Access points "provided pursuant to DUSP 3.1" or similar.
C3.5	DUSP 4.1	Contingency plan is no longer defined (however "priority list" definition is retained)	Retain definition within the new condition for consistency.
C4.1	None	The new conditions do not have some of the key defined terms, in particular "scheduled services", "scheduled standards" and "standardised measures". These have been replaced by general words such as "standards" and "targets" which broadens the effect of the condition as set out below.	The defined terms need to be reinstated and referenced as in the current condition.
C4.1(i)	Schedule Part 1	We do not classify non USO access points for specified collection time. The definition needs to be totally clear on this.	"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

Old Ref	New ref	Issue/comment	Proposed solution
			area", "town/city area", "rest of UK", "deep rural", "business box" or "Post Office branch".
C4 2- 4	DUSP 5.1	No reference to the schedule of services and definitions, just to "target service standards" Ref to DUSP 1 is broader than current C4 – e.g. includes incoming international from DUSP 1.2, and international Signed-For packets, poste restante and certificate of posting redirections, Keepsafe, Recorded Signed For, legislative petitions and addresses from DUSP 1.3. None of these have scheduled service standards .	Reinstate references to scheduled standards etc.
C4 2- 4	DUSP 5.1 CP 1.1	As worded broadens the scope. NB "reliability" is commonly interpreted as the J+5 Directive standard. The J+3 Directive standard is "speed". The current scheduled standards are all "speed" not "reliability".	Need to drop "%target" and revert to previous wording. Do not refer to "reliability".
C4 2- 4	DUSP 5.1a	We understand that Ofcom is concerned to ensure that the UK complies with the Postal Services Directive in the situation where Royal Mail is not publicly owned. However, by incorporating the text of the Annex to the Directive here in this way and then cross referring later, this adds all these targets in as regulatory targets and attracts all the other regulatory constraints as well – which is unnecessary and disproportionate. Since 1994 Royal Mail has participated in the UNEX survey run by the International Postal Corporation (IPC) on behalf of the European universal service providers. The UNEX survey measures performance against the Directive standards for international mail. IPC employ the independent monitoring company, arrange the audit and publish the annual results for the Directive standards. Royal Mail does not unilaterally control the survey or the audit and IPC must give permission for the publication of results	<p>If Ofcom believes that an initial condition is required to address its concerns about complying with the Directive then this must reflect the current arrangements and not extend regulation.</p> <p>We suggest that the condition could include a separate provision to the effect that RMG will</p> <ul style="list-style-type: none"> • use reasonable endeavours to comply with the quality standard for intra- Community cross-border services set by the European Council and Parliament (as currently set out in Annex II to the Postal Services Directive 97/67/EC as amended) • use all reasonable endeavours to cooperate with and facilitate the monitoring and annual reporting by an independent company of performance in relation to that standard in accordance with the requirements of the Directive and CEN 13850.

Old Ref	New ref	Issue/comment	Proposed solution
		outside the annual report. Moreover, achievement of the standards is not fully within Royal Mail's control as there are other parties involved.	Alternatively this could be addressed as part of the review of the conditions.
C4 2- 4	DUSP 5.1b	Meaning has changed – now says have to have reliability standard. There are no reliability standards currently.	Reinstate current wording
C4 2- 4	DUSP 5.1c and d	Wording about “ought reasonably to achieve” and reference to obligations in paragraph 7 have not been included.	Reinstate current wording
C4 2- 4	DUSP 5.1c	Needs to specify that %items is delivered x working days “after collection or receipt by the USP” or “day of deposit” or similar phrase.	Propose “x working days after day of deposit” to ensure consistency with Directive.
C4 2- 4	DUSP 5.1c(v)	Target for Special Delivery is not 99%by J+1, it is by the specified time (which might not be J+1 for remote areas)	No definition in current Licence. Could adapt wording from note 13 of 2003 Licence, e.g. “the percentage of items delivered within the specification for the service purchased by the sender”
C4 2- 4	DUSP 5.1d(i)	This includes business collections which is non- USO. However it does not include any other non- USO access points. To do so would be an extension of regulation. (This point applies to all other references to the collections standardised measure 10 – not listed here.)	Move to CP 1 Qualify the definition of access points included in the measure to exclude non- USO access points other than business collections.
C4.5a(ii) and (b)	DUSP 5.2	“Reasonable endeavours” has become “all reasonable endeavours” which is a higher requirement.	Revert to “reasonable endeavours”
C4.5a(i)	CP1.2	“Reasonable endeavours” has become “all reasonable endeavours” which is a higher requirement.	Revert to “reasonable endeavours”
C4.6a	CP 1.4	We do not include non- USO access points other than business collections in this measurement and reporting. It would be an extension of regulation to do so.	Qualify the definition of access points to exclude non- USO access point other than business collections.
C4.6b(iii)	DUSP 5.3a(iii)	Needs to be clear that the requirement to notify reclassification only concerns USO access points.	Qualify “access points for the purpose of providing the USO” or similar.
C4.7	DUSP 5.4 CP 1.3	The requirement in this condition now applies to the schedule and standards maintained pursuant to DUSP	Reinstate references to scheduled standards etc.

Old Ref	New ref	Issue/comment	Proposed solution
		5.1 not to the narrower scheduled standards and standardised measures set out in the Annex to C4.	
C4.7a	DUSP 5.4a,b,c CP 1.3a,b,c	The requirement now applies to any standard, not to the narrower scheduled standards and standardised measures set out in the Annex to C4.	Reinstate references to scheduled standards etc.
C4.7b	DUSP 5.4b CP 1.3b	The requirement now applies to any standard, not to the narrower scheduled standards and standardised measures set out in the Annex to C4.	Reinstate references to scheduled standards etc.
C4.7c	DUSP 5.4c	The condition now refers to “single services” within the standard, not to the “generic groupings”, i.e. as set out in the table at note 1 to the Condition 4 Annex. The wording was constructed on this basis to refer to the pre- 2006 targets for first and second class bulk products and also reflects the way these products are measured. The rewording applies the requirement at the level of the individual controlled product which is more onerous and also impracticable as performance is not measured at this level. Moreover this requirement only applies to scheduled standards 3 and 4 which are not universal service, hence this paragraph is not needed in the DUSP.	Remove paragraph
C4.7c	CP1.3c	The condition now refers to “single services” within the standard, not to the “generic groupings”, i.e. as set out in the table at note 1 to the Condition 4 Annex. The wording was constructed on this basis to refer to the pre- 2006 targets for first and second class bulk products and also reflects the way these products are measured. The rewording applies the requirement at the level of the individual controlled product which is more onerous and also impracticable as performance is not measured at this level.	Refer to generic groupings as set out in Annex note 1 table.
C4.8	DUSP 5.6	Should reference scheduled standards and standardised	Reinstate references to scheduled standards etc.

Old Ref	New ref	Issue/comment	Proposed solution
	CP 1.5	measures in order to avoid increased scope.	
C4.8a	DUSP 5.6a	This requirement is now applied to DUSP 5.1a and b which are not included in the current requirement as they are not scheduled standards or standardised measures – these need to be removed. NB Measurement, audit and reporting on DUSP 5.1a is done by IPC.	Remove references to DUSP 5.1 a and b.
C4.8b	DUSP 5.6b	This needs to exclude DUSP 5.1c(iv) European International Delivery as audit arranged by IPC.	Insert exclusion. (Do not refer to DUSP 5.1a as outside this requirement.)
C4.9	DUSP 5.7 CP 1.6	Should reference scheduled standards and standardised measures in order to avoid increased scope.	Reinstate references to scheduled standards etc.
C4.9 (a) and (b)	DUSP 5.7 (a) and (b)	The condition now refers to “single services” within the standard, not to the “generic groupings”, i.e. as set out in the table at note 1 to the Condition 4 Annex. The wording was constructed on this basis to refer to the pre- 2006 targets and also reflects the way these products are measured. The rewording applies the requirement at the level of the individual controlled product which is more onerous and also impracticable as performance is not measured at this level. Moreover this requirement only applies to standards 3 and 4 which are not universal service, hence this requirement is not needed in the DUSP.	Remove the reference to reporting at level of individual service/generic product
C4.9 (a) and (b)	DUSP 5.7 (a) and (b)	This requirement is now applied to DUSP 5.1a and b which are not included in the current requirement as they are not scheduled standards or standardised measures. It also picks up DUSP 5.5 (latest delivery times) - now explicitly labelled as a standard although not a scheduled standard or standardised measure – which is unnecessary as DUSP 5.5 already has requirement to publish report and no existing requirement to send to Postcomm.	Reinstate references to scheduled standards etc. Remove references to DUSP 5.5.
C4.9 (a) and (b)	CP 1.6 (a)	The condition now refers to “single services” within the	Refer to generic groupings as set out in Annex note 1

Old Ref	New ref	Issue/comment	Proposed solution
(b)	and (b)	standard, not to the “generic groupings”, i.e. as set out in the table at note 1 to the Condition 4 Annex. The wording was constructed on this basis to refer to the pre- 2006 targets and also reflects the way these products are measured. The rewording applies the requirement at the level of the individual controlled product which is more onerous and also impracticable as performance is not measured at this level.	table.
C4.10	DUSP 5.8a	This condition currently applies to all scheduled standards but as redrafted only applies to PCA floors standard.	Refer to scheduled standards as now.
C4.11- 15	CP 1.8a	The application of the standards of service compensation scheme is now to delay in respect of any postal packet which is considerably broader than failure to meet the quality standards applicable in accordance with the scheduled standards which only apply to a subset of products and services.	Use Licence condition wording
C4 Annex	Annex to DUSP	Standardised measure 10 includes business collections which is non- USO. However it does not include any other non- USO access points. To do so would be an extension of regulation. (This point applies to all other references to the collections standardised measure 10 – not listed here.)	Move to CP table Qualify the definition of access points to exclude non-USO access points other than business collections.
C4 Annex notes	Annex to DUSP note 2	Target for SD (service in row 5) is not 99%by J+1; it is by the specified time (which might not be J+1 for remote areas).	No definition in current Licence. Could adapt wording from note 13 of 2003 Licence: “the percentage of items delivered within the specification for the service purchased by the sender”
C6	DUSP 2	There is a typing error in DUSP 2 which makes reference to s40 instead of s41 of the PSA2011.	Correct reference.
C7	CP 4	Condition 7 currently refers to Licensed and non-Licensed services, which concern only the conveyance of mail. Ofcom propose the replacement of the term	Revert to the terms “licensed services” and “non- licensed services” as currently defined in the Licence.

Old Ref	New ref	Issue/comment	Proposed solution
		"licensed and non- licensed services" with "Postal Services". "Postal Services" is a term that we recognise to define anything to do with mail items. We offer services that do not convey mail but could be considered postal services. For example, Mail Screening, Mail opening, Mail disguising all can be described as Postal Services but not Licensed or non- Licensed services. The use of the term "Postal Services" therefore widens the scope of the Condition, which is not acceptable.	
C7	CP 4.2	Should say "February 2011" instead of "November 2010".	Correct date
Annex to Condition 8	E/A1	For clarity, Ofcom could explain the meaning of conveyance in the definition of code postal packet in part 1 as "in course of transmission by post" This may then require a further definition for "in course of transmission", which from s 125 of the Postal Services Act 2000 is "a postal packet shall be taken to be in course of transmission by post from the time of its being delivered to any post office or post office letter box to the time of it being delivered to the addressee. It could also reference the definition of "delivered to the addressee" from s.125 (3c)	Consider changes proposed
C9 1.2 b ix and x		C9.1.2 (b) ix and x both refer to "letters" :but should refer to "Postal packet" per the Act. This is an error in current Licence.	Use the term "postal packet"
C14.3	CP5.6 c ii	The cross- reference to "paras 5 and 6 below" is wrong.	The right reference should be to "CP5.7 and CP5.8"
Condition 14 Code of practice 1.3	CP5/A1 1.3	"Applicable regulatory conditions" is not a defined term.	Just refer to regulatory conditions.
Condition 14 Code of	CP5/A1 2.1	Code letters definition: para (b) duplicate reference to regulated postal operator	Delete duplicate reference For clarity the definition of the Act could be included in

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practice 2.1		General use of "Act" in definitions: should be PSA 2011 as defined in CPOPA	the code of practice.
Condition 14 Code of practice 3.2	CP5/A1 3.2	This paragraph is about Royal Mail's use of stamps and as redrafted only makes sense if Royal Mail is the Universal Service Provider.	Reinstate "Royal Mail" in this paragraph and paragraph 3.3
Condition 14 Code of practice 7.2	CP5/A1 7.2	Regulated Postal Operators should still be required to provide Ofcom with their correct and up to date customer service contact details. See also comments on CPOPA below.	Reinstate paragraph 7.2a
CPOPA	CPOPA	A large number of licence holders are not party to this agreement nor do they have bilateral arrangements with Royal Mail.	Ofcom should require all regulated postal operators to sign up to this agreement and should require their customer services contact details.
CPOPA 2	CPOPA 2	Code definition should read "which is required by all Regulated Postal Operators under regulatory condition CP [5]" Definition of Public holidays should refer to: s.125 (1) of PSA 2000 Regulated Postal Operator – for clarity it would be helpful to specify which regulatory conditions are referred to Royal Mail Access Agreement: the equivalent definition is "USP Access Agreement" i.e. an agreement between the Universal Service Provider and the regulated postal operator or customer entered into pursuant to Condition USPA 1 or USPA 2, rather than under any USPA condition.	Make the changes proposed.
CPOPA 10.4	CPOPA 10.4	Prohibited by whom or what – by Ofcom, under the Act, by a condition?	Specify when prohibition may arise.
CPOPA Schedule 2 8	CPOPA Schedule 2 8	Not clear how X will be defined after 31 March 2012.	Revisit in December 2012
C15.1	Acc 1.1	Condition 15.1 currently refers to licensed and non-	Revert to the terms "licensed services" and "non- licensed

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		licensed services, which concern only the conveyance of mail. Ofcom propose the replacement of the term "licensed and non- licensed services" with "any services", which broadens the scope. In the short term, retention of "licensed" and "non licensed" is usefully understood for existing reporting requirements so would be a welcome retention.	services" as currently defined in the Licence.
C15.15f	Acc 1.15	There are no timelines regarding the speed of response from Ofcom to a change request made by RM i.e. 28 or 42 days. We understand that Ofcom has removed the timeline because it believes it now has a requirement to consult under C15.15g (Acc 1.16) before directing on a change. However we operate a quarterly processing schedule, and any extended time in responding will either 1) delay processing or 2) delay deployment of a material change. If Ofcom cannot respond quickly we will not be able to meet the timelines at Acc 1.13. We do not think the approval of these changes requires Ofcom to issue a direction.	<p>Our preferred solution is to reinstate the current timelines for speed of response from Ofcom to change request made by Royal Mail in Acc 1.15 and to remove the words "by direction" from Acc 1.16.</p> <p>If this is not possible then our processing will be impacted and Ofcom will need to</p> <ul style="list-style-type: none"> • replace "from the end of that quarter" with "once that quarter has been processed" at Acc 1.13 parts i and ii, and • provide for some exceptions to Acc 1.15, e.g. for SP and Activities.
C20.1-6	CP6.1 to 6.5	Although the Consumer Protection Conditions are not required to be the same as the current Licence we believe it is appropriate for other postal operators to make a contribution to the expenses of Consumer Focus.	The payments in respect of qualifying consumer expenses for Consumer Focus should also include the minimum sum of £1,000 currently payable by licence holders with turnover below £10m. Access payments for other operators should not be excluded from the turnover calculation as such payments are required to operate the services they are being paid to provide.
C20.6	CP6.1 to 6.5	The turnover calculation is only used in respect of qualifying expenses a) to f). As agreed with the industry, the ongoing payments for Consumer Direct are paid according to the number of calls received in respect of each operator and are billed in arrears rather than as an	Remove the qualifying consumer expenses for Consumer Direct from CP6.3. Reinstatement the current wording from C20.6i (with amends to reflect billing in arrears) updated as appropriate for authorisation regime: "The amount payable under paragraph [CP] in respect of

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		estimate in advance which is adjusted the following year. If the wording is amended to reflect this, which we prefer, then C20.6ii can be dropped; otherwise C20.6i should be amended to reflect the adjustment for outturn made by Secretary of State.	a relevant year shall also include i. the appropriate proportion that the Secretary of State considers is reasonable, having regard to the functions exercisable by Consumer Direct in relation to postal services customers of the Licensee, of the estimated expenses of the Office of Fair Trading on or in connection with the support of Consumer Direct, likely to be incurred during the relevant year, "
C21	T4	<p>The condition as amended is not consistent in its treatment of earlier years and can be simplified. Our approach to the proposed amendments for the transfer of Condition 21 to T4 follows the following principles:</p> <ul style="list-style-type: none"> • the operation of the licence can be locked down for t=5 based on existing audits, which allows references to preceding years to be removed from any calculations; • there is to be no change to the operation of the licence for Formula Year t=6 (2011/12); • there is no new documentation requirement and only cross reference to existing documents; • on occasions, the descriptive text of figures is unnecessary e.g. in respect of the pension adjustment. <p>We have track changed the original text on this basis.</p>	See proposed amendments at Annex B.
C21.17	T4.20	The Postal Services Directive (as amended) Article 12 only permits a uniform tariff requirement for single piece mail items. Bulk mail services should therefore be omitted from T4.20.	See proposed amendments at Annex B.
C7.5a(ii)2	T 4.35	<p>"Postal service" is broader than "licensed and non-licensed services."</p> <p>NB this is a Transitory condition</p>	See proposed amendments at Annex B. Or revert to the terms "licensed services" and "non- licensed services" as currently defined in the Licence.

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C21.38a	Annex 1	Paragraph (c) should only remain in Condition 4 (DUSP 5 and CP 1) as the definition of scheduled services for the purposes of Condition 4. It is not currently included in the definition of Controlled Services in Condition 21 and should not be part of the regulation of these services under Condition 21 (T4).	Remove from Annex 1