

## DUSP, CP and Essential Conditions consultation

We have no objection to changing the reference to the consumer advocacy bodies in the Essential Condition.

We have no objection to the changes to the letter box density monitoring and reporting obligations under the DUSP Condition.

We agree that it makes sense to use the same turnover data for Ofcom charges and consumer advocacy bodies' charges. However, paragraphs 5.5 and 5.6 makes reference to Royal Mail's financial years and notes that, by using the relevant year minus two years, Ofcom would have audited data.

Not all operators have a financial year ending 31 March, meaning that data produced to meet Ofcom's requirements would not be audited. In any event, there is no separate audit of 'regulated' turnover in other operators' accounts so the data will still be unaudited. We would, therefore, suggest that the data provided to Ofcom on a quarterly basis (pursuant to section 55 and Schedule 8 Postal Services Act 2011) be used to calculate operators' "relevant turnover". Given the considerable difference in scale between Royal Mail's revenue and that of other operators the resulting "inaccuracy" will be immaterial.

Some more detailed issues arise in relation to the proposed Consumer Protection Condition.

| Condition                                  | Comment   | Recommendation   |
|--|---|--|
| <b>CP 1.1.2(h)<br/>'relevant turnover'</b> | In addition to the comment above about the data used to calculate 'relevant turnover', it should be noted that access services never required a licence, by virtue of the exemption under s7(2)(h) Postal Services Act 2000 (and the related definition of "pre-paid letter" in s7(5)). Access charges could outweigh revenue from other operators' regulated postal services. The drafting is beneficial because, if access payments are <i>deducted</i> from turnover from regulated services, there may well be no 'relevant turnover'. We expect that this was not the intention. | Suggest either to use the same wording as currently used which refers to "excluding access payments" (which removes any doubt about the treatment of access payments) or say nothing and rely on the fact that (upstream) access services are not regulated postal services. |
| <b>CP 1.2.2, 1.2.4 and 1.2.8</b>           | In relation to qualifying consumer expenses, a new distinction is drawn between a public consumer advice scheme and other activities.<br><br>It would be useful to understand more about the consumer advocacy activities and the likely costs of them.<br><br>Also, the bring-forward of extra costs from a previous year should be clarified as being only those related to the function of providing a public consumer advice scheme.  | -  |
| <b>CP 1.2.7 and CP</b>                     | The relevant payment provisions do not say  | The definition of the <u>expenses</u>  |

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| <p><b>1.2.8</b></p> | <p>what <u>proportion</u> of any 'cost carry forward' is to be borne by operators.</p> <p>There is also the issue of overpaying / underpaying. If a regulated postal operator does not currently pay towards costs, it should not find that it has to bear a cost-overflow from a previous year in which it is not required to make any payment. Equally, nor should it be entitled to a credit where there has been an over-recovery. These 'carry forward costs/losses' should be divided among the relevant operators in that relevant year.</p> | <p>(in 1.2.2 and 1.2.4) should, perhaps, refer to these carried forward amounts rather than the payment conditions (1.2.7 and 1.2.8).</p> <p>In 1.2.7 and 1.2.8, clarify that a regulated postal operator is only liable for a share of under-recovered costs / entitled to share the benefit of over-recovery of costs, if it was obliged to make a payment in that previous year.</p> |
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MCF  
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