

September 2017

techUK response to Ofcom Consultation: Consultation on Recovering Postal Regulation and Consumer Advocacy Costs

Introduction

techUK represents the companies and technologies that are defining today the world that we will live in tomorrow. More than 950 companies are members of techUK. Collectively our members employ more than 700,000 people, which represents nearly half of all ICT sector jobs in the UK. These companies range from leading FTSE 100 companies to new innovative start-ups. The majority of techUK's members are small and medium sized businesses.

This response is made on behalf of techUK members who have provided input into this consultation. Primarily this response is representing the views of meter manufacturers.

Question 1:... Do you agree that revenues from single piece end-to-end letter delivery services should be taken into account for the purposes of setting administrative charges?

As 84% of Ofcom's costs relate to the universal postal service we believe it to be fair that single piece end-to-end letter delivery services should be taken into account. This, to all intents and purposes, will be levied on Royal Mail as other smaller end-to-end operators are unlikely to qualify under the revised threshold.

Question 2... Do you agree that revenues from bulk mail and access services should be taken into account for the purposes of setting administrative charges?

As bulk letter services account for the majority of letters, and with access originated letters accounting for 58% of total letter volume this should be taken into account when setting administrative charges. Access services benefit from regulation and therefore contribute to Ofcom costs. In terms of fairness, access services turnover should be taken into account for the purposes of administrative charging.

The interchangeability of some bulk mail services could need more investigation and it could be the case that due to the reduction of minimum postal volumes to access bulk services a re-definition is required.

Question 3... Do you agree that turnover from access revenues should be calculated on a net basis (i.e. after the deduction of access charges to Royal Mail)?

This proposal would seem to be the fairest way of calculating this revenue given that Royal Mail typically retains 85% - 90% of the total revenue for access mail. We believe that both Royal Mail and the access operators agree with this formula, as documented in previous responses, as it avoids the double counting of revenues.

Question 4... Do you agree that turnover from parcel services should not be taken into account for the purpose of setting administrative charges?

As Ofcom's remit is to secure the provision of the universal postal service and identify any emerging threats to this provision the gathering of data from parcel carriers will help in this task. However, as per chart on page 13 only 1% of total costs are in relation to parcel services outside the universal service and therefore we agree that turnover from parcel services should not be taken into account for the purpose of setting administrative charges.

Question 5... Do you agree that the minimum revenue threshold for payment of administrative charges should be lowered to £5m?

We do not agree that the minimum threshold should be reduced from the current £10m level. Whilst mail volumes have decreased substantially over time, prices have risen, balancing out the overall revenue position. We believe that reducing the threshold will increase the administrative cost burden for smaller postal service operators without delivering any material net benefit. techUK recommend that the threshold remains at the current level.

Question 6... Do you agree with the proposed changes to CP1 that are set out in Annex 6?

As we believe that this change corrects an error in the original drafting of CP1 with regard to the calculation of the contributions we agree with this proposal.

Ends

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