



ASSOCIATION OF INTERNATIONAL COURIER & EXPRESS SERVICES
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24 May 2018

Dear Sir/Madam

The Association of International Courier and Express Services (AICES) welcomes this opportunity to respond to Ofcom's statement and consultation 'Recovering postal regulation and consumer advocacy costs'.

AICES is the UK trade organisation for companies handling international express documents and package shipments. Our members provide door-to-door transport and deliveries of tracked next-day or time-definite shipments, including documents, parcels and merchandise goods. AICES members directly employ around 38,000 people and indirectly support a total of almost 82,000 UK jobs and are responsible for over 95% of the international courier and express shipments moved through the UK every day.

AICES supports Ofcom's responsibility to secure the provision of a universal postal service (UPS) as set down in statute. Protection of the provision of the UPS is the primary purpose of the regulatory regime. AICES members operate non-universal services in a highly competitive marketplace and are subject to competition law. AICES does not therefore believe that it is proportionate for any costs for postal regulation or consumer advocacy to be recovered from our Members. Our Members already have every incentive to provide excellent service standards and indeed service quality is carefully monitored on an on-going basis.

AICES understands that our Members will not be impacted by the proposals in relation to the recovery of Ofcom's administrative costs because as set out they will be limited to 'relevant postal operators' set down as single piece end-to-end letter services and/or bulk mail services and will therefore exclude express services.

However, in relation to consumer advocacy costs it is proposed to extend the recovery of costs to both a relevant letters postal service and a relevant parcels postal service subject to a revenue threshold and the parcels being domestic. This decision could potentially bring AICES Members within scope of being mandated to pay for consumer advocacy costs despite not providing services within the scope of the universal postal service and having fully effective consumer complaints systems.

Ofcom has previously acknowledged that our Members already have customer complaints systems in place and have a strong commercial incentive to offer good customer services, without any need for additional regulation or the intervention of consumer advocacy groups. While, AICES members recognise the important role that consumer advocacy groups play in society, we strongly object in principle to being considered in scope to pay for costs, albeit the revenue threshold could then remove members in practice. The potential administrative burden this new requirement could place on

Members to establish they do not fall within the threshold has also not been discussed with AICES at any point by Ofcom.

In addition to this point of principle, AICES would also highlight the lack of consistency in Ofcom's approach. In relation to consumer advocacy costs Ofcom proposes excluding services provided under a mandated access agreement on the grounds "these services are provided between businesses and are unlikely to have any relevance to the work of the CABs." However, despite the fact it is implicitly acknowledged that parcel services provided by express services are not relevant to consumers, AICES Members services are scoped into recovery of costs and only excluded by reference to revenue. The consultation notes in paragraph 4.89 "many of the operators with a revenue share of less than 5% provide business-to-business parcel services, which are little or no relevance to consumers or the work of the CABs"

We believe that the proposal relating to recovery of costs for consumer advocacy groups breaches Ofcom's charging principles for administrative costs, in terms of: **fairness and equity** because our Members do not provide services within the scope of the universal postal service; **simplicity and transparency** because the threshold cannot be publicly justified; and **cost-reflective and relevance** because there is market satisfaction with our existing customer complaints processes.

Specifically, in response to Questions 3 and 4, AICES objects both to the proposal to include turnover from parcel services in the calculation for recovering consumer advocacy costs and to the inclusion of costs relating to the Post Office. In response to **Question 6** in terms of the threshold for parcels being set at £350m, AICES does not agree with the inclusion of parcel postal services – whatever level the threshold for revenue is set.

In relation to the relevant tests set out in paragraph 4.96, based on the Postal Services Act 2011, AICES does not think it is objectively justifiable to include services provided by our Members within the charging regime for consumer advocacy costs; it is certainly not transparent because decisions are being made on the basis of commercially confidential information. It is also not proportionate because it bears no relation to the primary purpose of the legislation.

AICES members operate in a highly competitive marketplace and already have every incentive to provide excellent service standards. While we recognise the 5% revenue threshold attempts to exclude AICES Members in practice, AICES in principle does not consider it objectively justifiable, transparent, or proportionate for Ofcom to bring the express services sector within scope of consumer advocacy costs.

Yours sincerely,

Secretary General
AICES