

# **Amendment of the 2006 Licensing Framework**

A consultation document

May 2007

## Summary

- S.1 This document reaffirms Postcomm's commitment to undertake a review of the licensing framework for the UK postal markets. It describes a two stage process in which amendments to the current framework are proposed for implementation later this year and a second stage fundamental review of the Licensing framework which will take place in 2008.
- S.2 Postcomm recognised when it implemented the current licensing framework that what may be appropriate in the early stages of market opening may not remain appropriate as liberalised markets develop.
- S.3 The two stage review aims to ensure that the licensing processes and the licensing framework are relevant to today's and tomorrow's postal market, imposing only justified regulatory burdens.
- S.4 This document proposes amendments to the current framework which will:
- refine Postcomm's internal procedures for processing licence applications to ensure they are proportionate in a liberalised market
  - remove the annual fee for all licensees with a turnover below £10 million and reduce the application fee to zero or £50 for all applicants
  - remove the requirement to provide information as part of the application process about how certain licence conditions will be complied with, and
  - remove the requirement to provide a financial guarantee from existing licensees and future applicants.
- S.5 This document is concerned with the licensing framework for those alternative operators in the UK postal market who do not have a dominant market position or universal service obligation. These alternative operators currently handle around 12% of letters at some point during their transit but actually deliver only about 1% - ten in every thousand.

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# 1. Introduction

### Purpose of this document

- 1.1 Four years after the market was first opened to competition the current licensing regime has seen 18 new entrants to the market. Confidence in the market has been maintained as mail operators have broadly achieved high standards of service quality and customer focus. However, Postcomm has been sensitive to suggestions that the current licensing arrangements could do more to facilitate market entry for some small and medium sized potential mail operators – and therefore promote the development of choice and innovation for mail users.
- 1.2 In its August 2005 decision document on the licensing framework Postcomm said that it believed that what may be appropriate in the early stages of market opening when establishing and maintaining confidence is crucial, may not remain appropriate as the market develops. For this reason, we said that we would conduct a full review of the licensing framework in 2008 which would take into account developments in the market in the intervening period.
- 1.3 This document reaffirms Postcomm's commitment to undertake a review of the licensing framework. We will conduct this review in two stages. These are:
- Stage 1 - proposals to be introduced in November 2007 for the amendment of the current licensing framework, and
  - Stage 2 – a fundamental review of the licensing framework to begin in January 2008 which will consider whether a licensing regime remains appropriate.
- 1.4 We believe that taking forward the review in two phases allows us to deliver early improvements within the existing licensing framework through stage 1 while focussing on more fundamental changes in stage 2.
- Stage 1 - amendment of the current licensing framework*
- 1.5 This document focuses on proposals for amendments to the current licensing framework. Proposals for consultation are set out in chapter 3. The proposals are to:

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- refine Postcomm's internal processes
  - amend the application form, and
  - recommend changes to the licence through modifications of the conditions of the licences of licensed operators other than Royal Mail (OLOs)<sup>1</sup>.
- 1.6 The amendments which we are proposing to make now will, if implemented, require modification of some of the standard licence conditions in licences granted to new operators. Provision would also need to be made for modifications to the same conditions in the standard licences held by existing licensees. As the required changes reduce the obligations of these operators Postcomm anticipates that licences will be modified by agreement.
- 1.7 This document is concerned with the licensing framework for those alternative operators in the UK postal market who do not have a dominant market position or universal service obligation. These alternative operators currently handle around 12% of letters at some point during their transit but actually deliver only about 1% - ten in every thousand.
- 1.8 The changes proposed in this document do not apply to the licence granted to the dominant postal operator in the UK – Royal Mail. Royal Mail is currently the UK's largest mail operator with well over 90% of the UK addressed letters market and delivering more than 99% of all mail in the UK. As the dominant operator in the postal market, Royal Mail's licence requires it to provide the universal postal service. Royal Mail's licence also includes provisions to protect customers that do not apply to other licensed operators, for example on pricing and quality of service.
- 1.9 This consultation exercise about the amendments that we are proposing to make now, will comprise of this consultation document and a final decision document. Those who wish to reply will have three months to provide a response.
- 1.10 As part of the consultation process we intend to reach out to stakeholders. We will do this by running a workshop for existing licensees and will seek to ensure that operators, customers and trade bodies in the areas of the postal

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<sup>1</sup> This consultation document does not contain formal proposals for amendment of licence conditions. Formal proposals for modification will be made at a later date.

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market where a licence is not required, such as couriers, are aware of the consultation through a stakeholder engagement programme.

### *Stage 2 - the 2008 review*

1.11 Postcomm intends to conduct a full and fundamental review of the licensing framework in 2008. The 2008 review, which will begin in early 2008, will consider the way in which participants are allowed access to the licensed mail market and whether a licensing regime continues to be appropriate. It will consider amongst other things:

- how the existing exemption regime could be used to allow small scale operations without the need for licensing or authorisation
- whether the mail integrity and common operational codes of practice remain appropriate in their current form, and
- whether a registration regime such as that which currently operates in New Zealand or a general authorisation regime as operates in certain sectors of the UK telecommunications market is more appropriate.

1.12 In the meantime, however, Postcomm believes that it is now appropriate to consider amendments to the current licensing framework which may make it easier for small and medium sized enterprises (SMEs) to enter the market. We consider that these amendments will help to ensure that the Licensing framework continues to be proportionate and targeted in line with the better regulation principles and our regulatory strategy<sup>2</sup>.

### **Timescales for the review**

1.13 The following timescales are relevant for the stage 1 amendment of the licensing framework:

- Publication of consultation document 18 May 2007
- Replies to be received by 20 August 2007, and
- Publication of decision document and if required formal proposals to modify licence conditions November 2007.

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<sup>2</sup> Postcomm's Strategy Review. The postal market - 2010 and beyond: Key questions for stakeholders. August 2006.

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### What is Postcomm

- 1.14 The Postal Services Act 2000 (“the Act”) established the Postal Services Commission (“Postcomm”) as the regulatory body for the postal services industry in the United Kingdom. Postcomm’s business plan, which can be found on its website [www.psc.gov.uk](http://www.psc.gov.uk), gives details of its duties, functions, objectives and work programme.

### Postcomm’s statutory duties

- 1.15 Postcomm has the duty to exercise its functions in a manner which it considers is best calculated to ensure the provision of a “universal postal service”. The universal postal service comprises, amongst other things, the delivery and collection of mail items up to 20 kilograms in weight at least once every working day and the provision of a registered postal service, all at affordable prices that are geographically uniform throughout the UK.
- 1.16 Postcomm is also charged with furthering the interests of users of postal services, where appropriate by promoting effective competition between postal operators. In doing so, Postcomm must have particular regard to the interests of those who are disabled or chronically sick, are of pensionable age, are on low incomes and who reside in rural areas.
- 1.17 Postcomm has a further duty to exercise its functions in a manner which it considers is best calculated to promote efficiency and economy on the part of postal operators.
- 1.18 In exercising its functions Postcomm also must have regard to the need to ensure that licence holders are able to finance the activities authorised or required by their licences.

### Postcomm’s strategy for regulation of the postal market

- 1.19 Postcomm’s Strategy Review published in August 2006<sup>3</sup> instigated a discussion about the way that Postcomm should regulate the postal market in the long term. The Strategy Review document made clear the importance that we attach to the principles of better regulation<sup>4</sup>. In formulating our

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<sup>3</sup> Postcomm’s Strategy Review. The postal market - 2010 and beyond: Key questions for stakeholders. August 2006.

<sup>4</sup> There are five principles of better regulation: proportionality, accountability, consistency, transparency and targeting.

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policies we aim to work within these principles which are regarded as best practice across Government. This means that we will:

- regulate in a proportionate manner and withdraw from regulation where possible, and
- focus regulation on targeting specific problems which may affect the delivery of the universal service or prevent competition developing in the market.

1.20 In our work we will seek to be aware of the impact of our targeted regulation. We also check that what we are doing is effective and that the risk of unintended detrimental side effects has been minimised. We wish to avoid a situation where there is so much regulation in the market that it is difficult for existing operators to innovate and where new operators are deterred from entering the market. We believe that as competition develops we should consider reducing the amount of ex-ante<sup>5</sup> regulation including the requirement to provide information prior to the grant of a licence.

### Context

1.21 Postcomm's vision for the postal services market, in the discharge of its statutory duties is: "a range of reliable, efficient, and innovative postal services, including a universal service, valued by customers, and delivered through a competitive postal market". Postcomm is committed to carrying out a fundamental review of the licensing framework in 2008.

1.22 However, as part of its drive towards better regulation, Postcomm has identified some areas where it believes it is possible to now remove burdens which have become unnecessary. Against a background of a fully liberalised market in which competition is beginning to develop Postcomm considers that the proposed changes in this document will help to ensure that the obligations placed on postal operators remain proportionate.

1.23 Postcomm wants to ensure that it does nothing which may discourage new operators from entering the market and so this document sets out proposals that will:

- refine Postcomm's internal procedures for processing licence applications to ensure they are proportionate in a liberalised market

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- remove the annual fee for all licensees with a turnover below £10 million and reduce the application fee to zero or £50 for all applicants
- remove the requirement to provide information as part of the application process about how certain licence conditions will be complied with, and
- remove the requirement from existing licensees and future applicants to provide a financial guarantee.

1.24 Postcomm has considered the impact that these proposals are likely to have on customers. Postcomm does not consider that they will have any direct impact on those domestic and small business customers who are currently unable to switch away from Royal Mail to alternative operators. However, they may have an indirect beneficial impact for these customers over time by increasing competition and innovation in the market as a whole. That should incentivise Royal Mail to reduce its costs and increase its efficiency which will in turn benefit these customers.

1.25 Many large and medium sized business customers have successfully moved some or all of their mail from Royal Mail to other operators. These customers have done so for a number of reasons including better standards of service and/or lower prices. At the moment there are 17 other licensees competing directly with Royal Mail. In addition to the regulated postal sector there are other services that are provided by companies that do not need a licence because of the weight of items conveyed or the prices charged. For example many large and medium sized businesses and government departments use courier services to deliver important documents, often utilising a same day service.

### **Background to the current licensing regime**

1.26 Under the Act, operators require a licence to convey letters weighing 350 grams or less and costing less than £1 from one place to another unless an exception applies. Postcomm is responsible for granting licences. In May 2002 Postcomm set out its strategy for promoting effective competition in UK postal services<sup>6</sup>. This included a statement of Postcomm's interim licensing

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<sup>5</sup> A term that refers to future events. The provision of information before the grant of a licence can be referred to as ex-ante.

<sup>6</sup> Promoting effective competition in UK postal services. A decision document. May 2002.

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policy which gave effect to its then market opening strategy. In December 2002, Postcomm began issuing standard licences and stopped issuing interim licences. In February 2005, Postcomm announced its decision to bring forward the date of full market opening to 1 January 2006<sup>7</sup>. This allowed licensed operators to offer any postal services within the UK.

- 1.27 In November 2004, Postcomm published its views on how licensing should work in a fully open market<sup>8</sup>, seeking views on three elements of the licensing framework:
- the application process
  - the licence, and
  - the monitoring of licensees.
- 1.28 In May 2005, Postcomm published a document<sup>9</sup> which considered the responses to the November 2004 consultation. It set out for further consultation the detail of the proposed licensing framework, primarily the application form and the licence. Consultees were invited to comment on these documents and on whether they effectively translated the principles decided upon as a result of the November 2004 consultation.
- 1.29 In August 2005, Postcomm published its decision about the nature of the Licensing framework in a fully open market. The August 2005 decision document set out Postcomm's licensing objectives and the requirements made of both applicants and licensees by the new licensing framework.
- 1.30 Most of the licences which had been granted up to that date were amended or surrendered and re-granted with a new set of conditions. The main changes made through this process were the extension of the term of licences, the removal of previous restrictions on the postal activities which were permitted by the earlier forms of licence and the introduction of revised and new conditions, concerning mail integrity and common operational procedures, respectively. Postcomm said that it would review the licensing framework in 2008.

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<sup>7</sup> "Giving Customers Choice: A Fully Open Postal Services Market" A decision document. 18 February 2005.

<sup>8</sup> "Licences Under the Postal Services Act 2000: Licensing Framework In A Fully Open Market". A consultation document. November 2004.

<sup>9</sup> "Licences Under the Postal Services Act 2000: Licensing Framework In A Fully Open Market". A proposals document. May 2005

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### Structure of this document

- 1.31 The remainder of this document is structured as follows:
- Chapter 2 describes the current licensing framework and outlines the rationale for changes
  - Chapter 3 sets out proposals for changes, and
  - Annex 1 provides a summary of the current arrangements and proposed changes, and
  - Annex 2 sets out the proposed application form.

### How to respond to this consultation

- 1.32 Responses to this consultation should reach Postcomm by 20 August 2007. They can be sent by post, electronically or by fax. Contact details are as follows:

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- 1.33 If you would like to discuss any points raised by this consultation document please contact Mick Fews (020 7593 2197 [mick.fews@psc.gov.uk](mailto:mick.fews@psc.gov.uk)) or Richard Chandler (020 7593 2184 [richard.chandler@psc.gov.uk](mailto:richard.chandler@psc.gov.uk)).

### Confidentiality of responses

- 1.34 Postcomm wishes to make public the responses it receives to this consultation document. If you do not want all or part of your response to this document to be read by anyone outside Postcomm, please ensure that your response clearly indicates which parts are confidential. If you are happy for the substance of your contribution to be made public but do not want the name of the individual who signed it or organisation that submitted it to be revealed, please indicate this by adding "name of organisation/sender not to be published".

# 2. Licensing in an open market

### Chapter outline

- 2.1 This chapter provides background to Postcomm's licensing powers and the current licensing framework. It sets out Postcomm's thinking behind its proposals to amend the current licensing framework together with experiences in other licensing regimes.

### Background to Postcomm's licensing powers

- 2.2 The proposals set out in this document apply only to those operators (other than Royal Mail) conveying "letters" (as defined in section 125 of the Act) which weigh less than 350g and which cost less than £1, and which are not exempt from the need for a licence.

### Licensing in an open market – the 2006 licensing framework

- 2.3 Postcomm decided in 2004 that the letters market in the UK should be fully open to competition from 1 January 2006. This was achieved by a liberalisation of Postcomm's licensing policy.
- 2.4 In its November 2004 consultation document Postcomm set out its licensing objectives for the implementation of full market opening. These were to:
- balance freedom of entry to, and exit from, the market, with
  - provision of sufficient safeguards to prevent the system being abused to the detriment of customers, while
  - providing some assurance for customers who use new licensees, and
  - ensuring provision of sufficient information for the market to function properly.
- 2.5 Postcomm stated in its decision document in August 2005 that it considered that any burden should be proportionate to the positive impetus towards achieving the objectives set out above, and that for competition to develop, customers must have confidence in the market.
- 2.6 Postcomm made clear in its August 2005 decision document on the licensing framework that it believed that what may be appropriate in the early stages of market opening when establishing and maintaining confidence is crucial, may not remain appropriate as competition develops. For this reason, we said that

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we would conduct a full review of the licensing framework in 2008 which would take into account developments in the market in the intervening period. We said that the review would consider all aspects of the licensing framework and whether they continued to be appropriate. The planned review was welcomed by operators<sup>10</sup> and customer representatives<sup>11</sup> in responses received to the August 2005 decision document. Copies of responses received are available on Postcomm's website [www.psc.gov.uk](http://www.psc.gov.uk).

### Rationale for the changes

- 2.7 Postcomm considers that, in discharging its statutory duties, it should ensure that licensing processes and the licensing framework are relevant to today's postal market, imposing only justified regulatory burdens.
- 2.8 We believe that effective competition will better protect the interests of postal customers than regulation. Postcomm sees regulation very much as a surrogate for competition and believes that it should withdraw from regulation where possible.
- 2.9 We consider that new entry will tend to protect the long-term interests of customers through promoting competitive rivalry and reinforcing improvements in service and downward pressure on prices. Postcomm must ensure that the barriers that the licensing framework imposes do not prevent entry and unwittingly constrain the competitive pressures which will themselves benefit and protect customers.

### State of competition in the market

- 2.10 Large business customers have benefited from the introduction of competition into the mail market. Postcomm's 2006 Business Customer Survey (BCS)<sup>12</sup> found that amongst business users competition is perceived to have contributed to lower prices, greater choice, improved quality and optimism for the future. The BCS also identified that competitive operators appeared to be expanding their customer base in 2006.
- 2.11 One way in which customers have benefited is by moving some or all of their mail away from Royal Mail to its competitors. Competition exists both through access agreements where competitors collect and transport mail and then

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<sup>10</sup> Response by the Mail Competition Forum. 30 June 2005

<sup>11</sup> Postwatch response. May 2005

<sup>12</sup> 2006 Business Customer Survey. Postcomm.

## Chapter 2: Licensing in an open market

arrange for delivery through access agreements with Royal Mail and to a lesser extent through end to end competition. As described in paragraph 1.7 the great majority of mail is still delivered by Royal Mail.

- 2.12 The proportion of Royal Mail's customers moving some or part of their mail to other operators remains low. However, twice as many businesses have moved some mail to Royal Mail's top three competitors, compared to 2005, while the proportion of businesses using other competitors was four times higher than last year (6.7% compared with 1.4%).

### **The need for new market entrants**

- 2.13 Postcomm considers that there should be significant opportunities for innovation in the postal market. Innovation is often driven by new entrants able to offer innovative products and services within small niches. Innovation provides opportunities for competition and acts as a spur to improvements and innovation from current market participants. It is apparent that competition and the threat of entry and competition have led to significant service improvement and innovation, as well as to choice.
- 2.14 Postcomm considers that there may be scope for entry into the UK postal market by SMEs, perhaps working within discrete niches (products or geographic area), to deliver further benefits to customers. Developments in the German postal market suggest that there is scope for innovation by SMEs in the UK market. In Germany postal operators providing national services such as TNT and PIN work with networks of local delivery licensees to provide end to end services. Within the UK, both the 2005<sup>13</sup> and 2006 BCS identified support for alternative end-to-end suppliers and for niche services. The 2005 BCS found extremely positive support for local providers of end to end services.
- 2.15 Although Postcomm was mindful of the need to minimise the burden of regulation when developing the current licensing arrangements the fact that very few SMEs have applied for licences suggest that these arrangements may present a barrier to applications either as a matter of perception, or as a matter of significance. Postcomm considers that the postal market should be open to competitors irrespective of their size. The threat of entry and competition from new innovative entrants should provide both direct benefits

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<sup>13</sup> 2005 Business Customer Survey. Postcomm.

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for customers and ensure that current licensees continue to improve services and innovate.

### **The potential barriers in the current licensing framework**

- 2.16 The rationale for taking a precautionary approach to licensing at market opening was clear. However, Postcomm considers that it should where possible withdraw from regulation. In particular this is true where existing regulation may prevent or restrict the competitive forces which would benefit customers. There needs therefore to be clear justification where we maintain regulations which may present barriers to entry.
- 2.17 In the case of the licensing framework we consider that there are now good reasons for addressing the initial precautionary approach. Some of the current arrangements may have served their purpose and may now be counter productive barriers to entry for new operators including SMEs.
- 2.18 Applications for licences frequently take many months to process. From time to time those interested in applying for licences have questioned why applications take so long to process. They also question whether a number of the requirements of the current licence should remain. Of particular concern are the mail integrity and common operational procedures codes of practice and the requirement to have a guarantee in the event of an operator going out of business. Postcomm has therefore considered whether removing or relaxing these requirements might facilitate new entry.
- 2.19 Postcomm is, however, aware that the proposed amendments will not, on their own lead to new entry. There are a number of barriers to entry which are outside the scope of the licensing framework and of this review. These include:
- customer behaviour and inertia
  - economies of scale and scope, and
  - the VAT exemption.
- 2.20 New entry will only take place where prospective participants believe that opportunities exist to compete and prosper in a competitive market.

## Chapter 2: Licensing in an open market

### Experiences in other licensing regimes

#### *Overseas markets*

- 2.21 While the circumstances in different countries mean that no two postal market licensing regimes are identical we can learn important lessons from what has happened abroad. It is apparent that in some countries there has been a higher level of entry into the licensed postal market than in the UK.
- 2.22 In Germany 2328 licences had been granted by the end of 2006. 762 licensees had withdrawn from the market by the end of 2006<sup>14</sup>. The cost of obtaining a licence is dependent on the type of licence required (there are eight categories of which the D category is for high quality services within the Deutsche Post monopoly area) with the highest amount €700 (approximately £465) for a licence to provide letter delivery services. The size of the licensed market in 2005 was €10.2 billion of which €4.2 billion was open to competition. The size of the market open to competition increased to €5 billion in 2006. The entry strategies in the German postal markets appear to be:
- local entrants active in express and courier services expanding into mail services
  - local delivery organisations of un-addressed mail stepping into mail services
  - regional press distributors expanding into mail services
  - internal post operations of companies being outsourced, and
  - interconnecting local postal operators<sup>15</sup>.
- 2.23 Most of the licence holders in the German market are SMEs. There has been considerable growth in the number of licensed SMEs from 42 at the end of 2000 to 140 at the end of 2004<sup>16</sup>.
- 2.24 New Zealand completely removed New Zealand Post's statutory monopoly on 1 April 1998. New Zealand moved directly to a registration regime in which an application for registration could only be refused if the applicant had been convicted of certain crimes. The current cost for registration is NZ\$95 (£32).

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<sup>14</sup> Source Bundesnetzagentur

<sup>15</sup> Ecorys. Development of competition in the European postal sector, study for the European Commission. July 2005.

## Chapter 2: Licensing in an open market

There were 17 registered postal operators in New Zealand within 8 months of market opening. In total there have been 58 operators who have registered.

### *Other licensing regimes*

2.25 There are a number of sectoral utility regulators in the UK. Each regulator has established licensing regimes to allow participants to access the markets they regulate. The licensing regimes are often similar in nature. UK sectoral regulators include:

- The Office of Gas and Electricity Markets (Ofgem)
- The Water Services Regulation Authority (Ofwat)
- The Office of Communications (OFCOM), and
- The Office of Rail Regulation (ORR).

2.26 While the markets regulated by other regulators are not in all cases directly comparable to the UK postal market it is possible in some cases to make comparisons. Of particular interest are those sectors where competition has been introduced for the supply of services such as the:

- gas and electricity markets for the competitive activities of gas and electricity supply, and gas shipping, and
- telecommunications market.

2.27 In conducting the review of the present licensing requirements we have considered the arrangements in place in those markets which are comparable.

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<sup>16</sup> Bundesnetzagentur. Annual report 2005.

### 3. The Licence application process – proposals

#### Chapter Outline

- 3.1 This chapter sets out Postcomm’s proposals for amending the current licensing application framework for operators wishing to enter the market and the conditions of their licences.

#### Notice requirements

- 3.2 Section 12 of the Act requires that an application for a licence must be made in writing in accordance with any requirements that Postcomm specifies. The Act also provides that Postcomm may require any application to be accompanied by a reasonable fee.
- 3.3 Section 12 also provides that before granting a licence Postcomm must publish a notice proposing the grant of the licence and giving its reasons for the proposal. Postcomm must publish the notice in the manner which it considers is appropriate to bring the notice to the attention of those likely to be affected by the grant of the licence. A period of not less than 28 days must be set during which time representations about the proposed grant of a licence can be made to Postcomm. If Postcomm decides not to grant a licence it must notify the applicant and provide a written statement of the reasons for refusing to issue the licence.

#### *Proposed change*

- 3.4 Currently Postcomm only publishes the notice proposing the licence to be granted after all checks have been completed, except confirmation of the guarantee (which is required under condition 9 of a licence). This approach has led to delays where a licence is ready to be granted but Postcomm has had to wait for the 28 day notice period to expire.
- 3.5 We believe that it is more appropriate for Postcomm to publish the notice proposing the grant of a licence at an earlier stage, once we are satisfied that an application has been duly made i.e. contains all of the information required for the application to be assessed. The licence will still not be granted until all licensing checks have been satisfactorily completed.

## Chapter 3: the Licence application process – proposals

### Establishing minimum standards for entry to the market

- 3.6 A licence must contain certain basic details about the entity to which the licence has been granted. The application process is used to secure this information. Over and above this, Postcomm can use the application process to require information which will enable it to make an assessment of the operator's fitness and capability to meet the requirements of the licence.
- 3.7 While Postcomm can carry out certain ex-ante checks at the licence application stage it considers that there are no checks which it can carry out which will give an ongoing guarantee of either the fitness or solvency of the licensee. Postcomm's proposals for amendments to those aspects of the licensing application framework dealing with minimum entry standards are set out in three main sections. These are:
- the mail security measures put in place by an operator
  - the fitness and propriety of an operator, and
  - the financial position of an operator.
- 3.8 As a general principle it is for licensees to ensure that they are compliant at all times with the requirements of their licence conditions. If a licence applicant considers that it would be unable to comply with a particular licence condition then it can ask Postcomm to put its application on hold until such time that it considers it is able to comply.
- 3.9 Postcomm currently requires applicants to provide detailed information about how they intend to comply with the Mail Integrity Code of Practice and Common Operational Procedures Code of Practice. This information is scrutinised by Postcomm and may result in a visit to the applicant's premises. However, a licensee or applicant is free to adapt its compliance procedures as it sees fit to respond to business pressures and should adapt those procedures to reflect, for example, change in the scale of its operations.
- 3.10 Once a licence has been granted, Postcomm has extensive powers to investigate potential licence breaches. For example it has recently imposed a penalty of £9.62m on Royal Mail for breaches of the (previous) mail integrity licence condition. Postcomm believes that its enforcement powers are a more effective way of ensuring compliance with these licence conditions. Nothing that is being suggested in this document will affect the way that we can take enforcement action.

## Chapter 3: the Licence application process – proposals

### Mail security measures

3.11 Postcomm developed a mail integrity code of practice (the MI Code) in order to ensure that licensed operators take reasonable precautions to safeguard mail. The MI Code covers the following areas:

- recruitment policy
- training policy
- disciplinary procedures
- security of mail
- information and reporting requirements, and
- agents and sub-contractors.

3.12 Postcomm currently requires applicants, to the extent as is appropriate for their business, to set out in their application details about how they will establish the arrangements required by the MI Code. This allows Postcomm to take a view on the ability of the applicant to comply with these measures. The evidence applicants must supply in order to demonstrate their ability to comply is proportionate to the size of an organisation and the nature of its operations. In many cases Postcomm visits applicants to review their proposed operations and provide guidance.

3.13 Feedback from both applicants and prospective applicants indicates that small applicants may well struggle to demonstrate their ability to comply with the MI Code at the application stage. This is often due to a lack of experience and resources. For these companies the requirement to supply mail integrity procedures prior to commencing operation delays their application and appears burdensome, perhaps to the extent that it may discourage applications. It is a requirement which provides only short term, but not long term safeguards.

### *Proposed changes*

3.14 Postcomm therefore proposes that ex-ante MI Code checks should be removed from the licence application process. Applicants will instead be required to provide a declaration that they have read and understood the MI

## Chapter 3: the Licence application process – proposals

Code and will ensure that their processes are compliant before operations commence.

- 3.15 Postcomm is not proposing any amendments to the Mail Integrity condition now. However, the form and suitability of the MI code as currently required by condition 3 of the standard licence will be subject to examination in the fundamental review planned for 2008.
- 3.16 Postcomm welcomes views on whether the ex-ante checks should be removed from the licensing requirements. In particular, Postcomm would like respondents to consider carefully whether the ex-ante checks offer any real assurances as to an applicant's ongoing compliance with the MI Code.

### Common operational procedures

- 3.17 In preparation for full market opening Postcomm investigated the common operational issues that will occur in a multi operator postal market and developed proposals for procedures that would reduce any adverse effect on the users of postal services arising in a multi-operator environment from a lack of such procedures.
- 3.18 These common operational issues included the ability of the receiving customer to identify the postal carrier, the timely and efficient extraction and repatriation of mail which has entered a licensed operator's network in error and the redirection of misdirected customer enquiries.
- 3.19 Postcomm proposed a Code of Practice for Common Operational Procedures (the Code of Practice) which was subsequently set out in a new licence condition (condition 4 in OLO licences) that required compliance with the Code of Practice<sup>17</sup>. The Code of Practice sets out the objectives and high level principles with which all licensed operators are required to comply. While licensees are free to agree contractual arrangements between themselves that will enable them to comply with the Code of Practice, a 'default agreement' was developed by Postcomm and will apply in the absence of any other contractual arrangements.
- 3.20 Postcomm decided that an applicant's ability to comply with the Code of Practice should be considered during the licensing application process<sup>18</sup>.

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<sup>17</sup> Postal Code of Practice for Common Operational Procedures. A Decision Document – August 2005

<sup>18</sup> Licences under the Postal Services Act 2000: Licensing Framework in a Fully Open Market. A Proposals Document – May 2005.

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Question 14 of the application form requires all licence applicants to “explain how they will ensure that miscollected and misdirected postal packets which enter their network are delivered to the intended user; or otherwise handled in either case in an efficient, economic and timely manner and how they will handle misdirected contacts from customers. Applicants should also explain how they propose to apply the identifier to letters they will be carrying, required so that it can be determined who carried the mail”<sup>19</sup>.

- 3.21 Postcomm does not require applicants to provide copies of detailed standard operating procedures that outline how they intend to meet the requirements of the Code of Practice. The explanation that is required to be provided in the licence application process therefore is of limited value in determining the applicant’s ability to meet the requirements of the Code of Practice but is useful in ensuring the applicant understands the requirements placed on them.
- 3.22 Once a licence is granted Postcomm does not undertake any operational visits to the applicant’s site to confirm their ability to meet the requirements of the Code of Practice. Nor does it perform any ongoing monitoring of licensees adherence to the Code of Practice unless this has been highlighted as a specific issue by another licensed operator or other stakeholder, including customers.

### *Proposed changes*

- 3.23 Postcomm does not at this stage propose making any changes to the requirement for all licensed operators to sign up as parties to, and adhere to the provisions of, the Code of Practice. Postcomm will, during the fundamental review of the Licensing framework which is scheduled to take place in 2008, consider whether all aspects of the Code of Practice remain appropriate.
- 3.24 However, we consider that the obligation for potential licensed operators to explain how they will adhere to the key elements of the Code of Practice represents an unnecessary burden at the time of application for a licence. In practice, Postcomm is unable to assess an applicant’s ability to meet the requirements of the Code of Practice without either undertaking operational site visits (which would not be possible for start up organisations) or

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<sup>19</sup> Licence Application form see [www.psc.gov.uk](http://www.psc.gov.uk).

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substantially increasing the burden of proof on the applicant by requiring detailed documentation of proposed operational procedures. Postcomm considers that both these approaches would be disproportionate.

3.25 Postcomm therefore proposes to remove the requirement (question 14 of the licence application form) for applicants to explain how they will ensure the requirements of the Code of Practice will be met.

3.26 Applicants will, however, be required to provide a declaration that they have understood the Code of Practice's requirements and that they will be in a position to comply with the Code of Practice, in full, as soon as operations commence. In the event that Postcomm becomes aware that a postal operator may not be complying with the Code of Practice, Postcomm may investigate the matter with a view to possible enforcement action.

### **Data Protection Act 1998 – registration**

3.27 The Data Protection Act 1998 (DPA) applies to anyone who processes personal information except individuals holding personal information for their own domestic use. Therefore businesses, such as postal operators, must comply with the DPA and one of their obligations under the DPA is to notify the Information Commissioner (IC) about information processed and the uses to which it is put (unless exempt) . This information is included on a public register maintained by the IC. The purpose of the public register is to promote openness in the use of personal information. The Information Commissioner (IC) has the legal powers to ensure that organisations comply with the requirements of the DPA and it is an offence not to have notified the IC about personal information being processed.

3.28 Applicants for licences granted by Postcomm are currently required to provide a copy of their DPA register entry. Postcomm checks an applicant's register entry to ensure that it includes Postcomm at a potential recipient of personal information and refers to uses of personal information that are required by the licence being applied for. Postcomm does not grant a licence unless it considers that the information contained on the register entry refers to Postcomm and correctly reflects the use to which personal information will be put pursuant to licence conditions. .

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### *Proposed changes*

- 3.29 The obligation of postal operators to comply with the terms of the DPA is not dependent on whether or not they hold a licence and DPA enforcement is a matter for the IC. The effect of a licence being granted is that certain particulars should be included in the register entry. In these circumstances, Postcomm takes the view that the most effective way to deal with applications in terms of streamlining the process and taking a lighter regulatory touch is for Postcomm not to check that an applicant for a licence has notified the IC or the terms of the register entry but to provide applicants with guidance on relevant data protection issues which might arise as a result of a licence being granted.
- 3.30 Postcomm will provide guidance to applicants reminding them of the need to notify the IC, setting out the issues that arise as a result of a licence being granted in terms of the uses to which personal information will be put, and stating that Postcomm should be included as a potential recipient of information held by the applicant.

### **Fitness and propriety of an operator**

- 3.31 The current application process for becoming a licensed postal operator was designed to enable Postcomm to assess, to some degree, the fitness and propriety of any applicant. In order to make a judgement on this Postcomm currently requires each applicant to declare the following:
- any disqualification under the Company Directors Disqualification Act 1986,
  - any unspent criminal conviction or caution involving dishonesty, or similar conduct, and
  - any proceedings or investigations of which the applicant is aware in relation to, or which may lead to, such disqualifications, convictions or cautions.
- 3.32 Postcomm's view is that where an individual or company has been found guilty of an offence of operating without a postal licence, of interfering with mail or any serious offence such as one relating to dishonesty and this conviction is not spent under the relevant legislation, this casts doubt on an individual or company's fitness and propriety.

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- 3.33 In considering this information, Postcomm focuses specifically on the ‘controlling person(s)’ of an applicant company, with an aim to ensure that ‘unfit’ persons should not be able to conceal their influence within a company in order to obtain a licence. Currently in order to support this declaration in relation to unspent criminal convictions, an applicant must also apply for a Basic Disclosure from the Criminal Records Bureau (CRB) or, alternatively, the Scottish Criminal Records Office.
- 3.34 The procedures for making CRB checks were introduced in 2002, prior to the introduction of the MI Code. When the MI Code was introduced the procedures were retained, applying a precautionary approach at a time when it was expected that there might be a considerable number of licence applications. With the subsequent experience of the operation of the MI code and the smaller than expected number of licence applicants, Postcomm has reviewed the necessity for the procedures in the application process.
- 3.35 In view of the recruitment policy requirements of the MI Code, for Postcomm itself to require CRB checks could be said to be a duplicate safeguard which has proved to be no longer necessary. It also is a requirement which limits the ability of operators to differentiate their businesses in the way in which they provide assurance to mail users about their operations and history. Leaving the conduct of CRB checks to the discretion of operators is a way in which they can build customer confidence through customer service delivery and value.

### *Proposed changes*

- 3.36 Postcomm therefore proposes that the current requirement for the provision of a Basic Disclosure should be removed from the licence application process.
- 3.37 In making this proposal, Postcomm notes that other sectoral regulators in the United Kingdom do not require Basic Disclosures to support licence applications. Applicants for licences in the sectors regulated by Ofgem, Ofwat, OFCOM and ORR are not required to provide CRB checks. Applicants are only required to submit a declaration about unspent and pending criminal convictions and bankruptcy. New Zealand’s Ministry of Economic Development requires those seeking registration as a postal operator to submit declarations and not disclosures.

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- 3.38 We believe that there are no special circumstances relevant for post which would require CRB checks in addition to a declaration about unspent convictions and bankruptcy.

### **The financial position of an operator**

- 3.39 In performing all its functions, Postcomm must have regard to the need to ensure that licensees are able to finance activities authorised or required by their licences<sup>20</sup>. Postcomm does not consider that this duty means that it should ensure that all licensees are able to stay solvent in a competitive market. Indeed it is unlikely that any regulator would be able, or consider it appropriate to do this. Rather it is for the directors of a company to take financial decisions and for competitive markets to determine which companies succeed and fail. Mail users must be clear that possession of a licence is not a guarantee of ongoing performance or solvency.

### **The application and annual fees**

- 3.40 Postcomm said in its August 2005 Decision document that it would keep the level of application and annual fees under review following full market opening. Applicants for licences are currently required to pay an application fee of £1000 together with an annual fee of £1000 where turnover<sup>21</sup> is below £10 million. Above £10 million turnover a formula determines how much money a licensee will pay. Condition 10 of the licence of OLOs sets out the annual payments that are to be made to Postcomm by licensees and the way in which they are to be calculated.
- 3.41 Postcomm considers that the application fee and annual fee present significant barriers to SMEs proposing to enter the postal market. Small companies and sole traders who have enquired about making applications have suggested that the need to pay £2000 in fees in their first year of operation would be a significant burden.

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<sup>20</sup> Section 5(4) Postal Services Act 2000.

<sup>21</sup> Licence condition 10 of the standard licence defines (for the purposes of the payments of annual fees) the licensee's turnover as turnover excluding access payments in the preceding relevant year, from activities which apart from this Licence would be prohibited by section 6(1) of the Act.

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### *Proposed change*

- 3.42 The application and annual fees contribute to the running costs of Postcomm. However, Postcomm considers that the benefit that they provide towards running costs are outweighed by the costs imposed on potential new entrants. Postcomm is therefore proposing:
- to lower the application fee to zero or £50 for all applicants, and
  - to set the annual fee for all licensees with a turnover below £10 million to zero.
- 3.43 The proposal to lower the application fee for all applicants will require modification only of procedures, not of licence conditions. However, the proposal to set the annual fee to zero for all licensees with a turnover of less than £10 million will require the modification of condition 10 in all standard OLO licences. It is Postcomm's intention to issue all new licences with the modified condition and to propose modification of condition 10 for all existing licensees other than Royal Mail.

### **The financial guarantee and alternative options**

- 3.44 From time to time, companies in competitive markets fail. On the one hand, failure is regrettable, in that investors lose money, jobs are lost and inconvenience is caused to customers. On the other hand, failure can be a sign that competition is working effectively. This is because in many cases it is the degree of rivalry between companies and the extent to which customers exercise choice that inevitably leads to success for some companies and failure for others. This logic applies as much in relation to the postal market as it does to other markets such as gas, electricity, telecoms or high street stores. It is therefore inevitable that, at some point, some postal operators will fail. For all these reasons, possession of a licence cannot be seen as a guarantee of success.
- 3.45 Postcomm is unable to protect mail users against licensee failure. However, when OLOs first began to be licensed, Postcomm thought it appropriate to make some provision for dealing with the consequence of their possible financial failure and introduced a condition to require them to secure a

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guarantee of sufficient funding to clear mail in the course of conveyance through their systems at the time of failure.

- 3.46 There have been two planned exits from the UK postal markets. Both have been as a result of business decisions and guarantees have not been called on. In December 2005 Express Dairies' licence was revoked by consent following a formal request. The licence held by Mail Plus was revoked by consent in February 2007 following a formal request.
- 3.47 In both cases customers were notified in advance of the planned exit and arrangements put in place to ensure that licensed mail would not be in the operator's system after the revocation date.
- 3.48 Postcomm recognised in its May 2005 proposals document that "a substantial number of respondents" to its November 2004 consultation considered that the guarantees might be a barrier to entry<sup>22</sup>. Discussions with applicants and prospective applicants since market opening have confirmed this perception.
- 3.49 Although the guarantee amount, based on a sum of 50p per mail item for two weeks' mail volumes, appears to allow some flexibility according to the size of the company requesting the guarantee, in practice the arrangements place a disproportionate burden on smaller licensees. Although small operators with very low forecast mail volumes would require significantly smaller bank guarantees than large bulk mail service providers, the costs associated with obtaining the guarantee would be relatively higher for a small operator.
- 3.50 Securing a bank guarantee is time-consuming and can prove to be costly and time consuming. In particular, those applying for a bank guarantee may:
- need to seek specialist legal advice
  - be charged for the drafting of the guarantee document
  - be required to provide detailed financial information, such as cash-flow projections and audited reports
  - have to provide its own security in the form of a personal guarantee from the directors of the company for the full amount required as guarantee, and

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<sup>22</sup> Licences under the Postal Services Act 2000: Licensing Framework in a Fully Open Market. A Proposals Document. May 2005.

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- will also be charged a fee for maintenance of the guarantee which will usually be charged as a percentage of the loan total.

3.51 In its August 2005 decision document Postcomm recognised that this requirement may prove to be a considerable barrier to entry for small or start-up businesses. For this reason Postcomm agreed that the requirement should be reviewed in the future. Postcomm believes that it is appropriate to consider changing this licence requirement now.

#### *The possible impacts of failure*

3.52 While failure is regrettable it can be a sign that the market is working. Those companies that cannot respond to changing competitive conditions will lose money and eventually exit the market. Postcomm considers that the failure of a licensee does not have to impact negatively on other operators. Rather the failure of one postal operator may provide opportunities for other operators to acquire the failed company's customers. Indeed this has been the experience in the gas and electricity markets where the customer portfolios of failed licensees have proved to be attractive to other licensees.

3.53 In its response to the original consultation on the licensing framework, Royal Mail expressed concern that a company struggling financially might attempt to cover up its difficulties as long as possible and continue trading as normal in order to continue bringing in income. Royal Mail suggested that companies might take in mail knowing they do not have the financial resources to deliver it. It was suggested that this could result in a large backlog of undelivered mail.

3.54 Postcomm's considers that this scenario is unlikely. Business mailers would be likely to quickly become aware that mail was not reaching the intended recipients.

3.55 Furthermore, the contractual nature of the postal industry, where invoices are settled in arrears, means that even if a licensee were to fail, the mail sender would have little financial exposure. It would be in the interest of any licensee in financial difficulty to ensure that mail is delivered as quickly as possible so that invoices can be settled quickly.

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### Experiences in other markets

- 3.56 A thriving courier market exists outside the licensed mail area in which there are no protections above and beyond normal consumer and contract law for mail users. No system of guarantees exists to protect customers in this unregulated market.
- 3.57 Experience in the gas and electricity markets indicates that in most cases failure of a licensee leads to a quick trade sale without the need for the intervention of the regulator. Competitive market licensees (gas and electricity supply, gas shipping and generation licensees) in the gas and electricity markets are not required to have guarantees to protect customers in the case of failure. There are, however, supplier of last resort arrangements (as part of the licences granted) which would allow Ofgem to appoint a supplier should it be necessary in the event of a licensee's failure.
- 3.58 Ofcom regulates a broad sector including radio and television broadcasting and telecommunications. Of the markets regulated by OFCOM the telecommunications market has greatest similarity to the postal market. Telecommunications market participants are not licensed but operate under a general authorisation regime introduced by the Communications Act 2003. There is no requirement for authorised telecoms operators to maintain any guarantee to protect against market failure.
- 3.59 The New Zealand postal market has seen the exit of a number of licensed postal operators. Other operators, most often New Zealand Post, have worked with companies exiting the market to buy or transfer customers. The process followed appears to be:
- the exiting operator opens discussions with another operator about how the operator's customer portfolio can be sold or transferred
  - the exiting operator contacts its customers and tells them that it is failing and will cease business (usually around a 2 or 3 week timeframe), and
  - the alternative operator steps in, often accompanied by a public relations exercise, and subject to an agreed payment continues to handle mail for the customers of the exiting operator for a set period until new contracts are agreed.

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3.60 Market exit has also occurred in the German postal market. 762 of the 2328 licences granted by the end of December 2006 had also exited the market. These exits have been for a number of reasons. These exits have not impeded the development of national end to end competitive services nor has it destroyed customer confidence in competitors to the incumbent German postal provider Deutsche Post.

#### *Proposed changes*

- 3.61 Postcomm proposes that the guarantee requirement should be removed from the OLO standard licence. The reason for this proposal is to remove an obligation on potential licensed operators which may be acting as a barrier to entry and as a distortion to competition and which has proved not to be as necessary in practice as had been thought when the condition was first introduced. Postcomm recommends that customers should exercise due caution when entering into contracts with postal operators and should be encouraged to manage their relationship with their operator as they would with any of their other major suppliers.
- 3.62 Postcomm is developing arrangements to deal with operator failure and will discuss these with industry in due course. Postcomm welcomes views from respondents on this proposal.

## Appendix

### Appendix 1: Summary of proposed changes

Current requirements of the licence applications form	Change under proposed amendments	Benefit of change
Name and address of applicant	No change	
Nature of applicant – public limited company etc	No change	
Body corporate – registered addresses and directors details	No change	
For other entities (sole traders, partnerships etc)	No change	
Details of controlling persons	No change	
Other major shareholders	No change	
Previous licences and applications	No change	
Description of proposed postal service	No change	
Forecast of volume and revenues	No change	
Details of disqualification orders or undertakings	No change	
Basic disclosure provided by the Criminal Records Bureau	Replaced by a declaration about criminal convictions.	Removes a source of delay.
Details of proceedings or investigations	No change	
A copy of applicant's registration under the Data Protection Act 1988.	Not required	Removes a burden which provides no assurance for customers or Postcomm.
Details about how the licensee proposes to comply with the Mail Integrity Code of Practice	Replaced by a declaration.	Reduces burden at the time of application.
Arrangements for a guarantee or other arrangements to ensure that mail is delivered in the event that the applicant ceases to be a postal operator	Not required	Removes perhaps the most significant barrier to entry and cause of delay in the granting of licences.
Details about how the licensee proposes to comply with the Common Operational Code of Practice	Replaced by a declaration.	Reduces burden at the time of application.
Details of standard licence conditions which the applicant believes should not apply or conditions which should be included.	No change	
Application fee of £1000	Reduced to zero or £50	Removes a financial obstacle at the time of application
Annual fee of £1000	Not required	Removes an ongoing financial barrier for SMEs

## **Appendix 2: Draft revised application form**

- A.1.1 Postcomm has produced a draft revised application form which takes account of the changes proposed to the current licensing framework. Updated guidance notes to reflect the changes in the framework and clarify some issues will be produced should the proposed changes be implemented.

# DRAFT REVISED LICENCE APPLICATION FORM

## POSTCOMM

The Postal Services Commission

Form of application for licence under section 11 of the Postal Services Act 2000

Please read the Guidance provided with this application form. Those applying for a licence should take time to understand the conditions of a licence and the Codes of Practice on Mail Integrity and on Common Operational Procedures. Licensees must be able to comply with the terms of their licence as soon as they commence operation. Postcomm considers that failure to comply with the conditions of a licence is a serious matter which could lead to the imposition of a fine and the revocation of any licence granted. If there are any queries which are not covered in the Guidance or Codes please contact Postcomm.

### Information about the applicant

1. Please provide the following details –
  - (a) name of applicant in full,
  - (b) any trading name(s),
  - (c) main business address, and
  - (d) name, address, telephone number and e-mail address (where available) of person to whom correspondence or enquiries about the application should be directed.
  
2. Please state whether the applicant is a public limited company, private limited company, overseas company, other body corporate, partnership, unincorporated association, sole trader or other entity (and in the last case give particulars of the applicant's legal status).
  
3. If the applicant is a body corporate, please state –
  - (a) the jurisdiction in which it is incorporated,
  - (b) if applicable, its Company/corporate registration number,
  - (c) the address of the registered office,
  - (d) the full names and personal addresses of its current directors (including any shadow directors within the meaning of section 741 of the Companies Act 1985) or, where applicable, its corresponding officers,
  - (e) the name and registered office of any holding company (within the meaning of section 736 of the Companies Act 1985) of the applicant and the name and registered or principal office of any parent undertaking (within the meaning of section 258 of that Act) of the applicant.

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4. If the applicant is not a body corporate (e.g. it is a sole trader, partnership or other entity) please state -
  - (a) full name of each individual concerned in the management of the applicant, each partner of the applicant and/or each parent undertaking of the applicant within the meaning of section 258 of the Companies Act 1985
  - (b) address of each such individual,
  - (c) date and place of birth of each such individual, and
  - (d) date and place of registration and registration number of each such undertaking.
5. Give the name of any “controlling persons” of the applicant not named in response to questions 3 or 4 above, together with details of any such person’s date and place of birth and address.
6. Where any person (other than a person whose name is given in response to questions 3(e) and 4) holds 20 per cent or more of any class of the shares of the applicant, give the name and address of each such person, specifying in each case the number of shares so held and the percentage of the aggregate number of shares of that class represented thereby.

### The applicant’s proposed postal service business

7. State whether the applicant or any person, company or other entity referred to in response to paragraphs 1-6 above holds, has held or has previously applied for a licence under section 11 of the Postal Services Act 2000.
8. Please provide a description of the proposed postal service, with particular reference to the type or types of mail the applicant proposes to carry under this licence, and the likely geographical coverage (referring to postcodes if possible). Please include the proposed timescale for commencement of licensed operations.
9. Please provide a forecast of volume and revenue for the applicant’s licensed postal services business for at least the first year and the basis on which such forecasts have been prepared.

### Protecting the integrity of mail

10. Please provide, in relation to any of the persons named in response to questions 3(d), 4(a), 5 or 6
  - (a) full details of any disqualification orders or undertakings under the Company Directors Disqualification Act 1986
  - (b) full details of any criminal convictions of the applicant and any other person, company or other entity referred to in response to paragraphs 1-6 above (other than for offences under the Road Traffic Offenders Act 1998) or convictions in respect of which the

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person has become rehabilitated under the Rehabilitation of Offenders Act 1974, and

- (c) full details of any proceedings or investigations of which the applicant is aware which may lead to any such disqualifications, or to any convictions for dishonesty or like conduct, or to any convictions for offences under the Postal Services Act 2000.
11. Please provide a signed declaration from a director or controlling person confirming that the applicant has understood the requirements of the Mail Integrity Code of Practice (condition 3 of the licence) and that the applicant (if granted a licence) will comply with the code when operations begin.

### Common Operational Procedures

12. Please provide a signed declaration from a director or controlling person confirming that the applicant has understood the requirements of the Common Operational Procedures Code of Practice (condition 4 of the licence) and that the applicant (if granted a licence) will comply with the code when operations begin.

### Application of standard licence conditions

13. If the applicant believes any of the standard licence conditions should not apply to it, please indicate which these are and provide reasons in each case. (Note: Condition 11 is required only where the licence applicant is a member of a group which includes a postal operator which has a statutory monopoly in its home market).
14. Please indicate if there are any other conditions the applicant believes should be included in its licence.

I confirm that having made due enquiry the information supplied is complete and correct to the best of my knowledge and belief. Applicants should note that any incorrect or misleading information provided on this application form could lead to revocation of any licence granted, in accordance with Schedule 3 of the licence.

## Appendix

**I confirm that I am willing to provide such further information as Postcomm requests in connection with its consideration of this application.**

**Signed .....**

**Print name .....**

**Print job title .....**

**For and on behalf of .....**

**Dated .....**