

# **POSTCOMM**

THE POSTAL SERVICES COMMISSION

POSTAL SERVICES ACT 2000

SECTION 11

AMENDED

## **LICENCE**

GRANTED TO

**ROYAL MAIL GROUP PLC**

ON

23 March 2001

AND AMENDED ON

1 April 2003, 2 November 2005 and 25 May 2006

# POSTCOMM

## THE POSTAL SERVICES COMMISSION

### POSTAL SERVICES ACT 2000

#### SECTION 11

#### LICENCE

1. The **Postal Services Commission** (“Postcomm”), in the exercise of its functions under section 11 of the Postal Services Act 2000 (c.26) (“the Act”), hereby grants to **Royal Mail Group plc**<sup>1</sup>, registered in England and Wales as company number 4138203 and having its registered office at 148 Old Street London EC1V 9HQ (“the Licensee”) a licence authorising the Licensee to convey letters from one place to another within the area specified in Schedule 1 subject to –
  - (a) the conditions set out in Schedule 2 and
  - (b) revocation in accordance with Schedule 3.
2. This licence shall come into effect on 26 March 2001 and, unless revoked in accordance with Schedule 3, shall continue in force until –
  - (a) the period of fifteen years from that date and thereafter until determined at or after the expiry of that period by notice in writing served by Postcomm on the Licensee on a day not later than ten years before the notice is to take effect or, if earlier,
  - (b) section 6(1) of the Act ceasing to have effect.
3. Condition 1 of Schedule 2 shall apply to the interpretation of terms and expressions used in this Licence.

---

<sup>1</sup> Known as Consignia plc at the time of grant of the licence. The company changed its name on 4 November 2002 and references to its former name were removed on 25 May 2006.

The common seal of Postcomm  
hereunto affixed is authenticated by –

Authorised for that purpose by  
Postcomm

Date: 23 March 2001

## Contents

Licence

Schedule 1 – Authorised Area 5

Schedule 2 – Conditions of Licence 6

### Part 1

#### *Interpretation*

1. Interpretation and construction 6

### Part 2

#### *Universal Postal Service*

2. Provision of universal postal service in the United Kingdom 10

3. General universal service obligations 12

### PART 3

#### *Furthering the interests of users of postal services*

4. Services standards of service and compensation 14

5. Complaint handling 27

6. Free services for the blind and partially sighted 30

7. Provision of information to users of postal services 31

8. Protecting the integrity of mail 33

### PART 4

#### *Promotion of effective competition between postal operators*

9. Access to the Licensee's postal facilities 41

## Licence

- |  |    |
|--|----|
| 10. Prohibition of obtaining unfair commercial advantage | 44 |
| 11. Promotion of effective competition                   | 46 |
| 12. Mergers takeovers and change of control              | 48 |
| 13. Appointment of compliance officer                    | 49 |
| 14. Postal Common Operational Procedures                 | 50 |

### PART 5

#### *Accounting separation and ringfencing*

- |  |    |
|--|----|
| 15. Accounting separation                                    | 59 |
| 16. Assets and financial resources – dedication and adequacy | 62 |

### PART 6

#### *Provision of information*

- |  |    |
|--|----|
| 17. Provision of information to Postcomm       | 65 |
| 18. Provision of information to the Council    | 67 |
| 19. Capital expenditure planning and reporting | 68 |

### PART 7

#### *Miscellaneous provisions*

- |                                    |    |
|------------------------------------|----|
| 20. Payment of amounts to Postcomm | 70 |
|------------------------------------|----|

### PART 8

#### *Provisions applicable to the special circumstances of Royal Mail Group plc*

- |   |     |
|---|-----|
| 21. Prices for postal services  | 72  |
| 22. Access to Postcode Address File   | 106 |
| Schedule 3 – Revocation of Licence  | 108 |
| Annex – List of terms and expressions defined in the Act and<br>used in the Licence | 111 |

**SCHEDULE 1**  
**AUTHORISED AREA**

It is a condition of this Licence that the area within which the Licensee may convey letters from one place to another is the area comprising the United Kingdom.

**SCHEDULE 2**  
**CONDITIONS OF LICENCE**  
**PART 1 – INTERPRETATION**

**Condition 1: Interpretation and construction**

1. The terms and expressions in the left hand column in the table below shall, unless the context otherwise requires, be interpreted in the manner set out next to them in the right hand column in that table –

“the Act”	means the Postal Services Act 2000;
“authorised area”	means the area specified in Schedule 1 to this licence;
“cost and revenue data”	means financial information concerning or showing the costs and revenues of, or relating to, an activity conducted by the Licensee;
“the Council”	means the Consumer Council for Postal Services established under section 2 of the Act and known at the date of grant of this Licence as Postwatch;
“cross-border mail”	has the meaning given in paragraph 11 of Article 2 of the Postal Services Directive;
“damage”, in relation to a postal packet <sup>1</sup>	means any physical damage to a postal packet, other than damage caused by interference, occurring after the time of acceptance of that packet by the Licensee and before its delivery to the person to whom or at the premises to which it is addressed;
“financial year”	means the period of approximately one year used by the Licensee from time to time for the accounts it prepares for the purpose of the Companies Act 1985 which, unless Postcomm agrees otherwise in writing, may be a period of 52 or 53 weeks ending on the last Sunday in March in any year;
“Generally Accepted Accounting Principles”	means the International Financial Reporting Standards, International Accounting Standards and other accounting principles and conventions, as promulgated from time to time by the International Accounting Standards Board (or by any successor to that body);
“information”	includes – (a) information recorded in any form, and (b) forecasts and estimates;

<sup>1</sup> Definition of “damage” inserted on 1 April 2003.

## Schedule 2 – Condition 1: Interpretation and construction

“interference” <sup>2</sup>	means interference with a postal packet in the course of conveyance by the Licensee contrary to section 83 or section 84 of the Act;
“intra-Community”	means between Member States of the European Union;
“licensed services” <sup>3</sup>	means the conveyance from one place to another (including the incidental services of receipt, collection and delivery) of letters which is prohibited, unless authorised by licence, by section 6(1) of the Act;
“loss” <sup>4</sup>	means the physical loss of a postal packet, other than as a result of – (a) having been stolen, (b) being incorrectly addressed, at any time after the acceptance of that packet by the Licensee and before its delivery to the person to whom or at the premises to which it is addressed, and in relation to any postal packet shall be deemed to include a failure by the Licensee to deliver that packet as aforesaid within 15 working days of its due day of delivery;
“non-licensed services”	means the conveyance from one place to another (including the incidental services of receipt, collection and delivery) of postal packets which is not prohibited, unless authorised by licence, by section 6(1) of the Act;
“notified universal service provider”	means a person whose identity has been notified by the Secretary of State to the European Commission as provided in section 4(3)(a) of the Act;
“postcode area”	means a geographical area indicated by the letters preceding the first number in the code, as the code is set out in the Postcode Address File;
“postcode district”	means a geographical area indicated by the letters and numbers in a postcode preceding the space in the code as the code is set out in the Postcode Address File;
“postal facilities”	means the physical and human resources and systems deployed by the Licensee and by its contractors and agents for the purpose of meeting the Licensee’s obligations under this Licence to provide a universal postal service;
“Postcomm”	means the Postal Services Commission established under section 1 of the Act;
“related person”	means - (a) in relation to an undertaking within the meaning

<sup>2</sup> Definition of interference inserted 1 April 2003; old definition removed 25 May 2006.

<sup>3</sup> Former definition of “large user” deleted 1 April 2003.

<sup>4</sup> Definition of loss inserted 1 April 2003.

## Schedule 2 – Condition 1: Interpretation and construction

	<p>of section 259 of the Companies Act 1985 (“the principal undertaking”), a parent or subsidiary undertaking of the principal undertaking or a subsidiary undertaking of a parent undertaking of the principal undertaking, in each case within the meaning of section 258 of that Act, and</p> <p>(b) in relation to any person (including such an undertaking), a connected person of that person within the meaning of section 286 of the Taxation of Chargeable Gains Act 1992;</p>
“routing time”	means the time specified for any postal service between the collection of a postal packet by a postal operator from its customer or post office letter box or other access point and the delivery of that postal packet to the premises to which it is addressed;
“separate services”	means the groups of services for which separate accounts have to be provided as described in each of subparagraphs (i) to (iv) in paragraph 2(a) of condition 15;
“stolen” <sup>5</sup>	a postal packet shall be taken to have been stolen if it appears that it has been misappropriated in the course of conveyance by the Licensee contrary to section 7 of the Theft Act 1968.
“terms”	in relation to the conveyance of postal packets and the provision of any other services means all the terms on which the conveyance of postal packets or the provision of any other services is undertaken or offered or relevant to their evaluation, whether as respects charges, methods of payment or otherwise;
“trading business”	means any business other than the business of a postal operator.

2. Unless the context otherwise requires, in this Licence words and expressions that are defined in Parts I and II of the Act shall have the same meanings as in those Parts, notwithstanding that a definition in either of those Parts may be framed so as to apply only for the purposes of certain sections of those Parts<sup>6</sup>.
3. <sup>7</sup>
4. Any reference in a condition of this Licence to the purposes of that condition generally is a reference to the purposes of that condition as incorporated in this Licence and to the purposes of any condition in identical terms incorporated and having effect in any other licence under the Act whenever that licence may have been granted.

<sup>5</sup> Definition of “stolen” inserted 1 April 2003.

<sup>6</sup> The definitions of the terms that are defined in the Act and used in the Licence are reproduced for convenience in the Annex to this licence.

<sup>7</sup> Deleted 25 May 2005.

## Schedule 2 – Condition 1: Interpretation and construction

5. Unless otherwise specified any reference to a numbered condition or schedule is a reference to the condition or schedule bearing that number in this Licence and any reference to a numbered paragraph is a reference to the paragraph bearing that number in the condition, schedule or paragraph in which the reference occurs.
6. In construing this Licence the heading or title of any condition or paragraph shall be disregarded.
7. Where any obligation under or pursuant to this Licence is required to be performed by a specified date or within a specified period and where the Licensee has failed so to perform by such date or within such period, such obligation shall continue to be binding and enforceable after the specified date or after the expiry of the specified period, but without prejudice to all the rights and remedies available against the Licensee by reason of the Licensee's failure to perform by that date or within that period.
8. The provisions of section 121 of the Act shall apply for the purposes of the delivery or service of any documents, directions or notices to be delivered or served pursuant to any condition of this Licence.
9. Anything required by or under this Licence to be done in writing may be done by facsimile transmission of the instrument in question or by other electronic means and, in such case –
  - (a) the original instrument or other confirmation in writing shall be delivered or sent by pre-paid post as soon as is reasonably practicable, and
  - (b) where the means of transmission had been agreed in advance between the parties concerned, in the absence of and pending such confirmation, there shall be a rebuttable presumption that what was received duly represented the original instrument.

## PART 2 – UNIVERSAL POSTAL SERVICE

### **Condition 2: Provision of universal postal service in the United Kingdom<sup>1</sup>**

1. The Licensee shall provide a universal postal service within the United Kingdom, subject to the following paragraphs of this Condition.
2. The universal service to be provided by the Licensee pursuant to paragraph 1 shall include services for letters posted individually and services for letters posted both sorted and unsorted in bulk and shall include a registered and an insured service and incoming and outgoing services for letters posted from and to addresses outside the United Kingdom.
3. The Licensee, in the discharge of its obligations under paragraphs 1 and 2, shall –
  - (a) provide the services numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 14, 15, 16, 17, 18, 25, 26, 27 and 28 in the definition of Controlled Services in paragraph 38(a) in Condition 21, in accordance with a public tariff that is uniform throughout the United Kingdom, and
  - (b) use reasonable endeavours directly or indirectly to establish arrangements with postal operators in countries outside the United Kingdom for them to deliver to the Licensee relevant postal packets posted from outside the United Kingdom to addresses within the United Kingdom.
4. The Licensee shall ensure that –
  - (a) except in such geographical conditions or other circumstances as Postcomm, after consultation with the Licensee and the Council, may by direction designate<sup>2</sup> as exceptional –
    - (i) at least one delivery of relevant postal packets is made every working day to the home or premises of every individual or other person in the United Kingdom or to such identifiable points for the delivery of relevant postal packets within that area as Postcomm may approve<sup>3</sup> in writing, and
    - (ii) at least one collection of relevant postal packets is made every working day from each access point, and

---

<sup>1</sup> This condition was introduced in its present form on 15 May 2006.

<sup>2</sup> Interim Directions issued on 23 March 2001, 18 September 2001, 14 March 2002 and 20 December 2002. A longer term Direction was issued on 31 January 2003. The current Direction was issued on 31 January 2006. These Directions were made under former condition 1(3); the current direction was saved for the purpose of this condition when the licence was modified on 25 May 2006.

<sup>3</sup> Approval issued 31 January 2003 under former condition 1(3) and saved for the purpose of this condition when the licence was modified on 25 May 2006.

## Schedule 2 – Condition 2: Provision of universal postal service in the United Kingdom

- (b) a service of conveying relevant postal packets from one place to another by post and the incidental services of receiving, collecting, sorting and delivering such packets are provided at affordable prices determined in accordance with a public tariff that is uniform throughout the United Kingdom.
- 5. For the purposes of this Condition –
  - (a) the interruption, suspension or restriction of any service in cases of emergency, or
  - (b) the conclusion with customers of individual agreements as to prices, shall not be taken to preclude the provision of a universal postal service.
- 6. Subject to such further direction as may be made by Postcomm pursuant to this Condition, the direction made on 31 January 2006 pursuant to what was then paragraph 3 of Condition 1 in Schedule 2 to this Licence shall apply for the purposes of this Condition as if the reference in the direction to that paragraph 3 were a reference to paragraph 4(a) of this Condition.

### **Condition 3: General universal service obligations**

#### **Access points**

1. Except as Postcomm, after consultation with the Licensee and the Council, may have directed otherwise, the Licensee shall provide, or procure the provision of, post office letter boxes and other access points for the purpose of providing the universal postal service referred to in condition 2 in a manner which meets the reasonable needs of users having regard to the costs of providing and servicing such access points.
2. The Licensee shall be regarded as having met its obligations under paragraph 1 if –
  - (a) in each postcode area where the delivery point density is not less than 200 delivery points per square kilometre not less than 99% of users or potential users of postal services are within 500 metres of a post office letter box, and
  - (b) the distribution of access points capable of receiving the largest relevant postal packets and registered mail is such that –
    - (i) in the authorised area as a whole the premises of not less than 95% of users or potential users of postal services are within 5 kilometres of such an access point, and
    - (ii) in all postcode areas the premises of not less than 95% of users or potential users of postal services are within 10 kilometres of such an access point, andsuch access points are available to the public in accordance with conveniently published schedules.
3. Within six months from the commencement of this Licence the Licensee shall prepare and submit to Postcomm and to the Council and publish, in a manner that ensures reasonable publicity for it, a statement of the arrangements it has established or intends to establish to ensure that users of postal services whose premises are not within 10 kilometres of an access point of the kind described in paragraph 2(b) will be provided with reasonable access to such facilities.
4. Within six months from the commencement of this Licence the Licensee shall prepare and submit to Postcomm and to the Council and publish, in a manner that ensures reasonable publicity for it, a statement of the arrangements it has established or intends to establish to ensure that users of postal services who have significant difficulty in reaching the post office letter boxes and access points provided pursuant to paragraph 1 because they are blind or partially sighted, infirm through age, chronically sick, or disabled are able to

## Schedule 2 – Condition 3: General universal service obligations

post letters and postal packets regularly and as far as possible without significant cost to those users attributable to their difficulties.

### Contingency planning

5. Within six months from the commencement of this Licence the Licensee shall prepare and submit to Postcomm and to the Council a contingency plan (in this condition referred to as “the plan”) setting out the measures to be taken by the Licensee to ensure as far as practicable the provision of the universal postal service referred to in paragraph 1 without the interruption, suspension or restriction of any service in the event, locally, regionally or nationally, of industrial action, an emergency or a natural disaster.
6. The plan shall set out the circumstances in which it is intended to be applied and the measures to be taken to tackle the contingencies it seeks to address and may provide for the provision of the universal postal service referred to in paragraph 1 or any part of that service by agents of the Licensee and for the use of the Licensee’s premises, vehicles and equipment by such agents.
7. If any of the circumstances in which the plan is intended to be applied arise then the Licensee shall either –
  - (a) implement the plan, or
  - (b) provide to Postcomm in writing and publish in the manner directed by Postcomm a full statement of its reasons for deciding not to implement the plan.
8. The Licensee shall undertake a review of the plan at least every second calendar year during the term of this Licence and shall submit a report on each review to Postcomm and to the Council not later than 1 February in the year following the year in which it was undertaken.
9. If, after consultation with the Council and with the Licensee, Postcomm advises the Licensee in writing that it is of the opinion that the plan needs to be changed in any particular, then the Licensee shall either –
  - (a) alter the plan in the manner indicated by Postcomm and furnish a copy of the altered plan to Postcomm, or
  - (b) advise Postcomm in writing that it has declined to alter the plan as aforesaid and provide to Postcomm a full explanation of its decision.

## **PART 3 – FURTHERING THE INTERESTS OF USERS OF POSTAL SERVICES**

### **Condition 4: Services, standards of service and compensation<sup>1</sup>**

#### **Part I. Standards of Service**

1. In this Condition –
  - (a) “scheduled services” are the products and services described in groupings and individually, in lines 1 to 8 in the Table in the Annex to this Condition, and more particularly defined in Note 1 to the Annex by reference to the Controlled Services listed in paragraph 38(a) in Condition 21 and to a table of definitions approved by Postcomm for the purpose of that Condition,
  - (b) “scheduled standards” are the levels of performance, set out in column I in the Annex to this Condition, that the Licensee ought reasonably to achieve in respect of the scheduled services, whether by individual scheduled service or as a grouping of scheduled services where relevant, and the standardised measures, in the discharge of the obligation in paragraph 7,
  - (c) the “standardised measures” are the measures referred to in lines 9 to 12 of the table in the Annex to this Condition, covering the percentage that all postcode areas should achieve, the percentage of collection points served each day, the percentage of delivery routes completed each day and the percentage of items delivered correctly,
  - (d) the “non-standardised measures” are those measures described in paragraphs 6(a) and (b) of this Condition,
  - (e) a letter is “delivered correctly” if it has been delivered either to the named recipient or to the address on the letter,
  - (f) “performance bands” are the graduations in which the performance of the Licensee falls when measured in relation to scheduled standards set out in the Annex to this Condition,
  - (g) the “Christmas period” is the period commencing on the first Monday in December in any year and ending at the start of the first working day after the New Year public holiday in the following year or, in Scotland, at the start of the first working day after the Scottish New Year public holiday in the following year,
  - (h) the “latest delivery time” for each UK address is the time expressed in minutes past an hour by which the Licensee endeavours to make a delivery every working day in accordance

---

<sup>1</sup> This version of Condition 4 was introduced with effect from 25 May 2006, replacing the condition that had operated since 1 April 2003.

## Schedule 2 – Condition 4: Services standards of service and compensation

with the Licensee's classification, as at 1 December 2005, of addresses as either "urban" or "rural", and

- (i) the "specified collection time" of an access point is that period of time within which the Licensee endeavours to make a collection every working day in accordance with the Licensee's classification of 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".
2. The Licensee shall at all times –
    - (a) maintain an up to date schedule in writing of the scheduled services and the standardised measures (including, where applicable, a table of definitions by way of references to the Controlled Services referred to in paragraph 38(a) of Condition 21 of this Licence) and of each of the corresponding scheduled standards, to be provided to users without charge on request, and
    - (b) ensure that Postcomm and the Council are provided with up to date copies of the schedule maintained in accordance with paragraph 2(a).
  3. The schedule maintained in accordance with paragraph 2(a) shall –
    - (a) specify the routing times, the regularity and reliability of services to be achieved,
    - (b) specify quality standards for national mail that are compatible with those laid down for intra-Community cross-border mail,
    - (c) specify quality standards for intra-Community cross-border mail services in a manner consistent with the Annex to the Postal Services Directive<sup>2</sup>, and
    - (d) specify minimum levels of performance in respect of each of the scheduled services and the standardised measures that the Licensee ought reasonably to achieve, having regard to the obligation in paragraph 7, that are no less demanding for the Licensee than the scheduled standards set out in the Annex to this Condition.

<sup>2</sup> Annex A to the Directive provides:

"The quality standards for intra-Community cross-border mail in each country are to be established in relation to the time limit for routing measured from end to end for postal items of the fastest standard category according to the formula  $D + n$ , where  $D$  represents the date of deposit and  $n$  the number of working days which elapse between that date and that delivery to the addressee.

Quality standards for intra-Community cross-border mail	
Time limit	Objective
D + 3	85% of items
D + 5	97% of items

The standards must be achieved not only for the entirety of intra-Community traffic but also for each of the bilateral flows between two Member States."

## Schedule 2 – Condition 4: Services standards of service and compensation

4. The Licensee shall not make any change to the scheduled services, the standardised measures or the scheduled standards, other than in accordance with paragraphs 25 and 26.
5. The Licensee shall use reasonable endeavours –
  - (a) to collect postal packets –
    - (i) from its customers as agreed with them, and
    - (ii) on a regular and reasonable basis from any post office letter box or other access point it uses, and
  - (b) appropriately to deliver, or to procure the delivery of, any postal packets it receives in the course of its business as a postal operator, within a reasonable time.
6. The Licensee shall measure and publish on a quarterly basis in such manner as Postcomm may direct –
  - (a) the percentage of deliveries in the United Kingdom that are made every working day by the latest delivery time, as notified to Postcomm and the Council in accordance with paragraph 6(c),
  - (b) the percentage of collections (including Business Collections from 1 April 2007 or such earlier or later date as Postcomm after consultation with the Council may determine) in the United Kingdom that are made every working day from all post office letter boxes and other access points in the United Kingdom at or after the final time of collection advertised on the access point,
  - (c) the Licensee shall notify Postcomm and the Council of the latest delivery times for the UK and the specified collection times and shall notify Postcomm and the Council of any changes to its latest delivery times and its specified collection times that it intends to make not less than three months prior to the change being made
  - (d) the Licensee shall notify Postcomm and the Council of every re-classification of addresses that will result in the latest delivery time of an address becoming later and of every re-classification of access points that will result in an access point's specified collection time starting earlier, within one month of such a change, and
  - (e) the Licensee shall publish its latest delivery times and its specified collection times and shall ensure any changes to the latest delivery times and specified collection times are published within one month of the change.
7. Except as Postcomm may by direction determine, the Licensee shall use all reasonable endeavours to provide the scheduled services and to perform the standardised measures to the highest possible extent, in relation to the relevant scheduled standards for groupings of scheduled services, scheduled services not in a grouping and for the standardised measures, having regard to all the circumstances and, in the application of this obligation –

## Schedule 2 – Condition 4: Services standards of service and compensation

- (a) if the performance of the Licensee in respect of any grouping of scheduled services, scheduled service not in a grouping or standardised measure in any period of twelve months ending on 31 March in any year (excluding the Christmas period) meets or exceeds the relevant scheduled standard the Licensee shall be deemed to have used all reasonable endeavours in respect of that grouping of scheduled services, scheduled service or standardised measure in that year,
- (b) if the performance of the Licensee in respect of any grouping of scheduled services, scheduled service not in a grouping or standardised measure in any period of twelve months ending on 31 March in any year (excluding the Christmas period) falls short of the relevant scheduled standard to the extent of being five percent or more below the level shown for that service or measure in performance band I of the Table in the Annex to this Condition (or 0.5 percent below that level for standardised measures 10, 11 and 12) the Licensee shall be presumed, subject to consideration of evidence in rebuttal, not to have used all reasonable endeavours in respect of that grouping of scheduled services, scheduled service or standardised measure in that year, unless Postcomm has indicated by direction in writing, following consideration of information submitted by the Licensee, that it is satisfied that the Licensee has complied with its obligation to use all reasonable endeavours in respect of that service or measure, and
- (c) where the performance of the Licensee in respect of any grouping of scheduled services in any period of twelve months ending on 31 March in any year (excluding the Christmas period) is below the level shown for that grouping of scheduled services in performance band I of the Table in the Annex to this Condition by less than five percent but the performance of the Licensee in respect of any generic product or service within that grouping during the same period falls short of the relevant scheduled standard for the grouping to the extent of being five percent or more below the level referred to, the scheduled standard for the grouping shall apply to that generic product or service as if the generic product or service were a single scheduled service although the presumption of failure to use all reasonable endeavours provided for in paragraph 7(b) shall not apply in respect of that product or service.

### 8. The Licensee shall –

- (a) with the exception of Special Delivery (Next Day) (other than when sold to users having an account with the Licensee buying the service using their account) and the percentage of delivery routes completed each day and the percentage of collection points served each day, monitor its performance of each of the scheduled services and the standardised measures, in relation to the scheduled standards using a testing methodology that –

## Schedule 2 – Condition 4: Services standards of service and compensation

- (i) is representative of the range of services and customers for whom these scheduled standards or standardised measures are relevant and which is capable of providing results with measurable statistical significance,
    - (ii) is applied independently of the Licensee, and
    - (iii) is compliant with Article 16 of the Postal Services Directive,
  - (b) with the exception of Special Delivery (Next Day) (other than when sold to users having an account with the Licensee buying the service using their account) and the international mail standard, permit and cooperate with audit of its monitoring pursuant to paragraph 8(a) by persons appointed by the Council with the agreement of the Licensee which shall not be unreasonably withheld,
  - (c) monitor its performance of Special Delivery (Next Day) (other than when sold to users having an account with the Licensee buying the service using their account) and of the percentage of delivery routes completed each day and the percentage of collection points served each day (with the exception of the percentage of Business Collection points served each day prior to 1 April 2007 or such earlier or later date as Postcomm after consultation with the Council may determine), in relation to the scheduled standards and the non-standardised measures, using a measurement methodology that
    - (i) is representative of the range of services and customers for whom these standardised and non-standardised measures are relevant, and
    - (ii) is compliant with Article 16 of the Postal Services Directive,
  - (d) with the agreement of Postcomm, after consultation by Postcomm with the Council, appoint an independent person to test and give an opinion on the suitability of the methodology used for the purpose of paragraph 8(c), and on the extent and consistency of its application, and
  - (e) except as Postcomm has by direction in writing indicated otherwise, monitor, from 1 April 2007, its performance in the provision of Controlled Services 39 to 45 in the manner provided in sub paragraphs (a) and (b) of this paragraph.
- 9. Except as Postcomm may by direction determine, the Licensee shall –
  - (a) submit written quarterly reports on its performance in respect of each of the scheduled services, or groupings of scheduled services where relevant, and the corresponding generic products, as set out in the table in note 1 to the Annex and standardised measures (with the exception of the percentage of Business Collection points served each day prior to 1 April 2007 or such earlier or later date as Postcomm after consultation with the Council may determine) relative to each of the corresponding scheduled standards and of its performance in respect of the non-

## Schedule 2 – Condition 4: Services standards of service and compensation

- standardised measures to Postcomm and to the Council, not later than two months from the end of the quarter to which they relate,
- (b) include with each report submitted under paragraph 9(a) for a quarter ending on 31 December in any reporting year, a statement, in such form as Postcomm may direct, of the action the Licensee intends to take in the following reporting year, in order to ensure the discharge of the obligation in paragraph 7,
  - (c) submit for publication a written report on its performance in respect of each of the generic products and services as set out in the table in note 1 to the Annex and standardised measures (with the exception of the percentage of Business Collection points served each day prior to 1 April 2007 or such earlier or later date as Postcomm after consultation with the Council may determine) relative to each of the corresponding scheduled standards to Postcomm and the Council for each Christmas period not later than two months from the end of each Christmas period,
  - (d) submit for publication a written annual report on its performance in respect of each of the scheduled services, or groupings of scheduled services where relevant, and the corresponding generic products, as set out in the table in note 1 to the Annex and standardised measures (with the exception of the percentage of Business Collection points served each day prior to 1 April 2007 or such earlier or later date as Postcomm after consultation with the Council may determine) relative to each of the corresponding scheduled standards (containing adjusted results in addition to unadjusted results where appropriate) to Postcomm and the Council for each period of twelve months, ending on 31 March and not later than three months from that date, and
  - (e) include in any report submitted under this paragraph –
    - (i) details of its performance in respect of Controlled Services 39 to 45 in terms of the percentage of letters delivered by the end of the first working day after the day of collection or receipt by the Licensee, and
    - (ii) details of its performance, by reference to the relevant scheduled standard, in Postcode Areas HS, KW and ZE as if standardised measure 9 applies.
10. The Licensee shall at all times –
- (a) maintain and comply with a code of practice for identifying the incidence of, and addressing the causes of, significant failure to meet the scheduled standards in postcode districts within postcode areas in which the scheduled standards overall are met, and
  - (b) ensure that Postcomm and the Council are provided with up to date copies of the code of practice maintained in accordance with paragraph 10(a).

**Part II. Compensation Scheme**

11. The Licensee shall at all times maintain a scheme to be known as the “standards of service compensation scheme” for compensating users of postal services affected by failure to meet the quality standards applicable in accordance with the scheduled standards to any postal packet.
12. Subject to modification in accordance with paragraphs 25 and 26, the standards of service compensation scheme shall provide, as minimum benefits to users of the Licensee’s postal services, the benefits provided for in the scheme established pursuant to the Direction issued by Postcomm on 7th October 2003.
13. The standards of service compensation scheme shall –
  - (a) provide for the Licensee paying, to any such person as is mentioned in paragraph 11, such compensation as may be specified in the scheme as being appropriate, and
  - (b) where a dispute arises between a person claiming compensation under the scheme and the Licensee as to whether compensation is due or whether compensation is appropriate, provide for the Licensee to inform the person claiming compensation of his right to refer the matter to the Council.
14. The Licensee shall not make any change to the standards of service compensation scheme other than in accordance with paragraphs 25 and 26.
15. The Licensee shall meet its obligations under the standards of service compensation scheme.
16. The Licensee shall submit annual reports on the operation of the standards of service compensation scheme to Postcomm and to the Council setting out for the United Kingdom as a whole and, except as Postcomm may agree otherwise in writing –
  - (a) categorised by relevant grouping of scheduled services for automatic payments under the bulk compensation scheme for delay not later than three months from the end of the year following the year to which they relate, the payments made to customers for each of the relevant standards,
  - (b) for other claims, for each of the postcode areas, not later than three months from the end of the year to which they relate,
    - (i) the number of complaints received incorporating the number of claims for compensation made,
    - (ii) the number of claims for compensation in relation to which compensation was paid, and
    - (iii) the amount of compensation (including any payments in lieu of compensation) that was paid,in each case broken down by not less than ten of the main causes of the claims.

## Schedule 2 – Condition 4: Services standards of service and compensation

17. The reports submitted pursuant to paragraph 16 shall be accompanied by a statement of the action the Licensee intends to take in the year following submission of the report to address the causes of claims for compensation.

### **Part III. Schemes under section 89 and loss and damage**

18. The Licensee shall not –
  - (a) establish any scheme under section 89 of the Act, or
  - (b) include any provision in such a scheme,that is incompatible with any of the Licensee's obligations under this Condition.
19. In the making and application of any scheme under section 89 of the Act, the Licensee shall comply with any direction that Postcomm, after consultation with the Licensee, the Council and such other persons as appear to Postcomm to be appropriate, may give to the Licensee by notice in writing in relation to compensation for loss of or damage to postal packets, including the process for making claims for compensation and the maximum amount of compensation that may be paid.
20. The Licensee shall at all times meet its obligations under any scheme made under section 89 of the Act.
21. The Licensee shall submit annual reports on the operation of its compensation scheme for loss and damage to Postcomm and to the Council setting out for the United Kingdom as a whole and, except as Postcomm may agree otherwise in writing, for each of the postcode areas not later than three months from the end of the year to which they relate,
  - (a) the number of complaints received incorporating the number of claims for compensation made,
  - (b) the number of claims for compensation in relation to which compensation was paid, and
  - (c) the amount of compensation (including any payments in lieu of compensation) that was paid,in each case broken down by the main causes of the claims.
22. The reports submitted pursuant to paragraph 21 shall be accompanied by a statement of the action the Licensee intends to take in the year following submission of the report to address the causes of claims for compensation, in so far as those actions are not set out in reports submitted pursuant to Condition 8 on the operation of the Licensee's mail protection procedures.

### **Part IV. Publication and Modification**

23. The Licensee shall –
  - (a) publish the schedule of scheduled services and scheduled standards, particulars of the standards of service compensation scheme, the reports required to be submitted under paragraphs 9,

## Schedule 2 – Condition 4: Services standards of service and compensation

- 16 and 21 and the statements required to be submitted under paragraphs 17 and 22 in such manner as will ensure reasonable publicity for them,
- (b) not assert copyright against, or otherwise oppose, any publication arranged by Postcomm or by the Council of the schedule, reports and statement, and
  - (c) make copies of the schedule, reports and statement available free of charge to any person requesting them.
24. The Licensee shall –
- (a) offer to review the schedule of scheduled services, standardised measures and scheduled standards and the standards of service compensation scheme with the Council in every second year ending on the anniversary of this Licence, and
  - (b) discuss in good faith with the Council and endeavour to agree modifications to the schedule of scheduled services, standardised measures and scheduled standards and to the standards of service compensation scheme that are appropriate in the interests of users of the Licensee's postal services for the period until the next review.
25. The schedule of scheduled services, standardised measures and scheduled standards and the standards of service compensation scheme may be amended by the Licensee at any time with the agreement of the Council or Postcomm provided, in the case of amendments agreed with the Council, that not less than three months' notice of the proposed amendments has been given to Postcomm and Postcomm has not within two months of being notified directed that the proposed amendments not be made.
26. If the Council recommends to the Licensee, following a review under paragraph 24, that the schedule of scheduled services, standardised measures and scheduled standards or the standards of service compensation scheme should be changed, and if Postcomm advises the Licensee in writing that it is of the view that the changes recommended by the Council should be made, or made with modifications, then the Licensee shall either –
- (a) alter the schedule of scheduled services, standardised measures and scheduled standards or the standards of service compensation scheme in the manner recommended by the Council, with any modifications advised by Postcomm, or
  - (b) advise both the Council and Postcomm in writing that it declines to alter the schedule of scheduled services, standardised measures and scheduled standards or the standards of service compensation scheme (as the case may be) in the manner aforesaid and publish in such manner as Postcomm may direct the full reasons for its decision.
27. The Licensee shall appoint an official reporting directly to a member of its board of directors and charged with responsibility for monitoring the

## Schedule 2 – Condition 4: Services standards of service and compensation

Licensee's compliance with the scheduled standards and for meeting representatives of the Council on not less than two occasions per year to discuss the schedule of scheduled services, standardised measures and scheduled standards, the standards of service compensation scheme, the reports submitted pursuant to paragraphs 9, 16 and 21 and the statements required to be submitted under paragraphs 17 and 22.

**ANNEX TO CONDITION 4**

**Scheduled standards and standardised measures maintained in accordance with paragraph 2(a) of Condition 4**

	Scheduled services	Performance bands for scheduled standards			
		I	II	III	IV
		Standard (%)	No automatic consequences (%)	Users receive price reductions or compensation (%)	Postcomm considers investigation (%)
1	<b>Grouping 1</b> Retail first class	93.0	<93.0 but >92.0	92.0 to >88.0	88.0 or less
2	<b>Grouping 2</b> Retail second class	98.5	<98.5 but >97.5	97.5 to >93.5	93.5 or less
3	<b>Grouping 3</b> Bulk first class	91.0	<91.0 but >90.0	90.0 to >86.0	86.0 or less
4	<b>Grouping 4</b> Bulk second class	97.5	<97.5 but >96.5	96.5 to >92.5	92.5 or less
5	<b>Grouping 5</b> Bulk third class	97.5	<97.5 but >96.5	96.5 to >92.5	92.5 or less
6	Standard Parcels	90.0	<90.0 but >89.0	89.0 to >85.0	85.0 or less
7	European International Delivery	85.0	<85.0 but >84.0	84.0 to >80.0	80.0 or less
8	Special Delivery (Next Day)	99.0	Compensation in accordance with contractual specification		94 or less
<b>Standardised measures</b>					
9	Postcode area target % (delivered)	91.5	<91.5 but >90.5	90.5 to >86.5	86.5 or less
10	% of collection points served each day	99.90	<99.90 but >99.80	99.80 to >99.40	99.40 or less
11	% of delivery routes completed each day	99.90	<99.90 but >99.80	99.80 to >99.40	99.40 or less
12	% of items delivered correctly	99.50	<99.50 but >99.40	99.40 to >99.00	99.00 or less

Schedule 2 – Condition 4: Services standards of service and compensation

**Notes**

1. The scheduled services numbered 1 to 8 in the table above are more particularly described by reference to services referred to in Condition 21 of this licence as shown in the table below –

<b>Scheduled services referred to in table above</b>	<b>Generic products</b>	<b>Controlled services</b>
Retail first class	Stamped and metered 1c	1 <sup>3</sup> , 2
Retail second class	Stamped and metered 2c	3 <sup>4</sup> , 4
Standard parcel	Standard parcel	5
European International Outbound	Public tariff outbound international services within the scope of the Unipost External Monitoring System survey undertaken by International Postal Corporation on end-to-end quality of service measures for European cross border international priority mail	6
Special Delivery (Next Day)	Special Delivery (Next Day) other than when sold to users having an account with the Licensee buying the service using their account	14
Bulk 1	PPI 1c	12, 15, 16, 31, 33
	Mailsort 1	19, 20, 23, 25, 26, 35
	Presstream 1	29
	Response services 1	10 <sup>5</sup>
Bulk 2	PPI 2c	13, 17, 18, 32, 34
	Mailsort 2	21, 22, 24, 27, 28, 36
	Response Services 2	11 <sup>6</sup>
	Presstream 2	30
Bulk 3	Mailsort 3	37, 38

The Controlled Services referred to above consist of products and services as may be more fully defined by reference to a table of definitions approved by Postcomm for the purpose of this Annex with the agreement of the Licensee.

2. The standards for the scheduled services numbered 1 to 7 show the percentages of letters that should meet the service requirements of delivery by the end of the first, third or seventh working day for first class services, second

<sup>3</sup> Stamped mail and Smart stamp only.

<sup>4</sup> Stamped mail and Smart stamp only.

<sup>5</sup> Excluding Freepost name and Packetpost Returns,

<sup>6</sup> Excluding Freepost name and Packetpost Returns.

## Schedule 2 – Condition 4: Services standards of service and compensation

class and international services or third class services respectively, in each case after the day of collection or receipt by the Licensee.

3. The service numbered 6 (Standard Parcels) is a second class service.
4. The standard for Standardised Measure 9 is the percentage of mail conveyed by the scheduled services in Grouping 1 delivered the first working after collection or receipt to be achieved or exceeded in each Postcode Area (excepting HS, KW and ZE) throughout the periods of 12 months ending at the end of March in each year, excluding the Christmas period.
5. The percentages for each standard are to be measured on average in the United Kingdom as a whole throughout the periods of 12 months ending on 31 March in each year, excluding the Christmas period.

**Condition 5: Complaint handling**

1. In this condition “complaint procedures” means the procedures for handling complaints to be established pursuant to paragraph 2 as those procedures are amended pursuant to paragraphs 8 and 9.
2. Before the expiry of six months from the commencement of this Licence the Licensee shall establish and submit to Postcomm in writing a schedule of complaint procedures.
3. The complaint procedures shall –
  - (a) be transparent, simple and inexpensive procedures for the handling of complaints,
  - (b) cover complaints involving loss, theft, damage and non-compliance with the scheduled services and standards (as defined in condition 4 of this Licence), and
  - (c) be in such terms as may be agreed between the Licensee and the Council, provided that if –
    - (i) there has been no such agreement between the Licensee and the Council within the period of six months from the commencement of this Licence, and
    - (ii) Postcomm has given the Licensee not less than 28 days’ notice in writing that it proposes to make a determination as to the terms of the complaint procedures, and
    - (iii) Postcomm has given to the Licensee the opportunity in that period of not less than 28 days to make representations to it in relation to its proposal to make such a determination, thenthe complaint procedures shall be in such terms as may be determined in writing by Postcomm.
4. The Licensee shall not make any change to the complaint procedures other than in accordance with paragraphs 8 and 9.
5. The Licensee shall use all reasonable endeavours to apply the complaint procedures in all the areas in which it is authorised by this Licence to convey letters and in relation to which the Licensee is required by paragraph 6 to report to Postcomm and to the Council.
6. The Licensee shall submit written quarterly reports on the application of the complaint procedures to Postcomm and to the Council, not later than two months from the end of the quarter to which they relate, which shall –
  - (a) set out –
    - (i) the number of complaints (if any) unresolved at the beginning of that quarter,
    - (ii) the number of complaints received in the quarter,
    - (iii) the number of complaints resolved in the quarter, and

## Schedule 2 – Condition 5: Complaint handling

- (iv) the number of complaints unresolved at the end of the quarter, and
  - (b) present the information referred to in paragraph (a) for the authorised area as a whole –
    - (i) broken down by no less than ten main categories of complaint,
    - (ii) showing the extent to which the Licensee has succeeded in meeting the targets set out in the complaint procedures, and
    - (iii) showing the compensation that has been paid to users of postal services in relation to complaints that were found to be valid.
- 7. The Licensee shall offer to review the complaint procedures with the Council not less than once in every second calendar year ending on the anniversary of this licence and shall cooperate with the Council in the conduct of any such review.
- 8. The complaint procedures may be amended by the Licensee at any time with the agreement of the Council or of Postcomm provided, in the case of amendments agreed with the Council, that not less than three months' notice of the proposed amendments has been given to Postcomm and Postcomm has not within two months of being notified directed that the proposed amendments be not made.
- 9. If the Council recommends to Postcomm following a review under paragraph 7 that the complaint procedures should be changed and if Postcomm advises the Licensee in writing that it is of the view that the changes recommended by the Council should be made, or made with modifications, then the Licensee shall either –
  - (a) alter the complaint procedures in the manner recommended by the Council with any modifications advised by Postcomm, or
  - (b) advise Postcomm in writing that it has declined to alter the complaint procedures as aforesaid and provide to Postcomm, and publish in such manner as Postcomm may direct, a full explanation of its decision.
- 10. The Licensee shall –
  - (a) publish the complaint procedures and the reports required to be submitted under paragraph 6 in such manner as will ensure reasonable publicity for them,
  - (b) not assert copyright against, or otherwise oppose, any publication arranged by Postcomm or by the Council of the procedures and reports, and
  - (c) make copies of the procedures and reports available free of charge to any person requesting them.
- 11. The Licensee shall authorise the official appointed for the purpose of paragraph 27 of condition 4, if requested, to discuss at meetings with the

## Schedule 2 – Condition 5: Complaint handling

Council the operation of the Licensee's complaint procedures and the reports submitted pursuant to paragraph 6.

12. The Licensee shall not –

(a) establish any scheme under section 89 of the Act, or

(b) include any provision in such a scheme,

that is incompatible with any of the Licensee's obligations under this condition.

**Condition 6: Free services for the blind and partially sighted**

1. This condition applies if Postcomm has given and has not withdrawn a notice in writing, for the purpose of this condition generally or for the specific purpose of this Licence, that it has received directions<sup>1</sup> from the Secretary of State under section 41 of the Act to impose a requirement and to bring that requirement into force.
2. The Licensee shall provide to such descriptions of blind or partially sighted persons as may be specified in the directions of the Secretary of State to Postcomm referred to in any notice given for the purpose of paragraph 1, free of charge or in such other manner as may be set out in those directions, the postal services specified therein.

---

<sup>1</sup> Directions issued on 13 March 2001 were received by Postcomm on 14 March 2001.

**Condition 7: Provision of information to users of postal services<sup>1</sup>**

1. This Condition shall apply to the extent that the information referred to in paragraph 2 is not made available to users of postal services pursuant to any other Condition of this Licence.
2. Except as Postcomm after consultation may by direction determine and subject to paragraph 5, the Licensee shall submit to Postcomm and to the Council a statement setting out –
  - (a) details of the tariffs (including discounts and credit facilities), standards of service and compensation arrangements under which the Licensee offers to provide licensed services and non-licensed services (other than postal services offered under the Parcelforce brand which were offered on 1 April 2006 or which may be offered subsequently and which are substantially similar to those services),
  - (b) details of the general conditions of, and the physical provisions for, access to such services offered by the Licensee,
  - (c) details of any services offered by the Licensee specifically for customers who are blind and partially sighted, disabled or chronically sick, of pensionable age, with low incomes or residing in rural areas,
  - (d) a summary of the Licensee's performance against its standards of service in the year for which it most recently has become due to submit an annual report to Postcomm under paragraph 16 of Condition 4 of this Licence.
3. Except as Postcomm after consultation may by direction determine and subject to paragraph 5, the Licensee shall notify Postcomm and the Council promptly in writing of any changes to the matters referred to in any statement submitted pursuant to paragraph 2 not less than three months before any such changes come into effect.
4. The Licensee shall –
  - (a) publish the statements and notifications required to be submitted under paragraphs 2 and 3 as soon as reasonably practicable after their submission in such manner as will ensure reasonable publicity for them,
  - (b) not assert copyright against, or otherwise oppose, any publication arranged by Postcomm or by the Council of the statements and notifications,
  - (c) make copies of the statements and notifications available free of charge to any person requesting them, and
  - (d) place copies of statements and notifications on any relevant website operated or controlled by the Licensee.
5. In relation to prices and terms applicable to contracts for the conveyance of postal packets entered into by the Licensee following a competitive tendering

---

<sup>1</sup> This version of Condition 7 was introduced on 25 May 2006 in substitution for the condition which had applied from the grant of the licence.

## Schedule 2 – Condition 7: Provision of information to users of postal services

process conducted by a user which is open to other postal operators and to which such operators can reasonably be expected to be capable of responding, paragraphs 2 and 3 shall not apply but the Licensee shall –

- (a) within seven days of entering into any such contract, provide to Postcomm a copy of it, or, if a written contract has not then been concluded, a summary of its main terms including the detail referred to in paragraph (b) and the name of the customer, followed by a copy of the written contract within seven days of its conclusion, and in each case a statement of the differences from the Licensee's standard terms for the most closely comparable Controlled Service or Controlled Services and,
- (b) submit to Postcomm and to the Council before the expiry of fourteen days after the expiry of every calendar month a statement setting out, in relation to all such contracts entered into by the Licensee in that month, the main terms of those contracts including –
  - (i) duration of contract,
  - (ii) prices charged (or the mechanism for the determination of prices),
  - (iii) weight and format of postal items that will be conveyed,
  - (iv) volumes anticipated by the contract,
  - (v) sortation requirements,
  - (vi) points at which mail may be injected into the Licensee's postal facilities,
  - (vii) times as which mail may be injected into the Licensee's postal facilities,
  - (viii) target delivery times for delivery by the Licensee and the percentage of letters to be delivered within such targets, and
  - (ix) the distribution of volumes of letters between postcode districts envisaged in the contract,

and, unless Postcomm by direction in writing provides otherwise, shall publish each such statement in a manner that will give reasonable publicity to it within seven days of its submission to Postcomm and to the Council.

- 6. The Licensee shall ensure that the full address and telephone number of the Council is displayed with reasonable prominence in all explanatory literature it produces for users of its postal services.

**Condition 8: Protecting the integrity of mail**<sup>1</sup>

1. In this Condition -
  - (a) the “Mail Integrity Code” means the code of practice set out in the Annex to this Condition established for the purposes of facilitating the achievement of the Mail Integrity Objectives, and
  - (b) the “Mail Integrity Objectives” mean the objectives set out in paragraph 1.1 of the Mail Integrity Code.
2. Unless Postcomm otherwise consents, the Licensee shall at all times comply with the Mail Integrity Code.

---

<sup>1</sup> This version of Condition 8 was introduced with effect from 2 November 2005, replacing a version which had been introduced on 1 April 2003, in substitution for the condition that had operated since the grant of the Licence. The reason for making the change in 2005 was to introduce common mail integrity obligations among licence holders for the advent of full competition on 1 January 2006. The condition was modified on 25 May 2006 to remove spent transitional provisions.

## ANNEX

### Protecting the Integrity of Mail - A Code of Practice

#### Contents

1 Introduction	35
2 Some Definitions and Rules of Interpretation	35
3 Recruitment of Relevant Employees	36
4 Training Relevant Employees	37
5 Disciplinary Procedures	37
6 Security of Mail	38
7 Information and Reporting Requirements	39
8 Agents and Sub-Contractors	39

## Schedule 2 – Condition 8: Protecting the integrity of mail

### Protecting the Integrity of Mail – A Code of Practice

#### 1 Introduction

- 1.1 This is the Code of Practice covering the protection of the integrity of mail. Its purpose is to achieve the following objectives (the "**Mail Integrity Objectives**"):
- (a) minimising the exposure of Code Postal Packets to the risk of loss, theft, damage and/or interference; and
  - (b) maintaining and improving Licensees' performance in respect of the matters referred to in paragraph 1.1(a).
- 1.2 This Code sets out the requirements and procedures to be followed in order to satisfy the Mail Integrity Objectives.
- 1.3 This Code applies to:
- (a) all Licensees; and
  - (b) all Code Postal Packets conveyed, received, collected, sorted, delivered or otherwise handled by Licensees.
- 1.4 Licensees should allocate responsibility to specific personnel within their organisations for implementation of and compliance with this Code.
- 1.5 In meeting their obligations under this Code, Licensees should have due regard to the size and nature of their organisations and operations.

#### 2 Some Definitions and Rules of Interpretation

- 2.1 In this Code, unless the context requires otherwise:

<b>Act</b>	means the Postal Services Act 2000 (as amended from time to time);
<b>Code Postal Packet</b>	means a Postal Packet conveyed pursuant to a Licence;
<b>damage</b>	means, in relation to a Code Postal Packet, any physical damage to a Code Postal Packet (other than damage caused by interference or accidental damage) occurring after the time of acceptance of that Code Postal Packet by the relevant Licensee and before its delivery to the person to whom or at the premises to which it is addressed;
<b>Incident Guidelines</b>	means guidelines published from time to time by Postcomm relating to the nature of incidents of loss or theft of, damage to, or interference with, Code Postal Packets, which require urgent notification to Postcomm;
<b>interference</b>	means interference with a Code Postal Packet contrary to sections 83 or 84 of the Act;
<b>Licensee</b>	means the holder of a licence granted under section 11 of the Act;
<b>Licence</b>	means a licence (as amended or replaced from time to time) granted under section 11 of the Act;
<b>loss</b>	means the physical loss of a Code Postal Packet, other than as a result of: <ul style="list-style-type: none"><li>(a) having been stolen,</li><li>(b) being incorrectly addressed,</li></ul> at any time after the acceptance of that Code Postal Packet by the Licensee and before its delivery to the person to whom or at the premises to which it is addressed, and in relation to any Code Postal Packet shall be deemed to include a failure by the

## Schedule 2 – Condition 8: Protecting the integrity of mail

- |                                  |  |
|----------------------------------|--|
|                                  | Licensee to deliver that Code Postal Packet within 15 working days of its due day of delivery;   |
| <b>Mail Integrity Objectives</b> | means the mail integrity objectives set out in paragraph 1.1 of this Code;   |
| <b>Postcomm</b>                  | means the Postal Services Commission established under section 1 of the Act;   |
| <b>Postal Packet</b>             | has the meaning given in the Act;  |
| <b>Postwatch</b>                 | means the Consumer Council for Postal Services established under section 2 of the Act;   |
| <b>Relevant Employees</b>        | means permanent, temporary, casual or part time employees or workers (including those under a contract for service), who are (or may be) involved in conveying, receiving, collecting, sorting, delivering or otherwise handling Code Postal Packets or who are reasonably likely to have access to Code Postal Packets in the course of their work; |
| <b>stolen/theft</b>              | means misappropriated/misappropriation contrary to the Theft Act 1968 (as amended from time to time).  |
- 2.2 In this Code, unless the context requires otherwise, the words **include**, **including** and **in particular** are to be construed as being by way of illustration or emphasis and do not limit or prejudice the generality of any foregoing words. The singular includes the plural and vice versa.
- 2.3 Nothing in this Code is to be construed as requiring a Licensee to act unlawfully (for example, by breaching employment law in meeting the recruitment and vetting requirements set out in paragraph 3 of this Code).
- 2.4 This Code shall not be interpreted in any way which is inconsistent with the Mail Integrity Objectives.
- 2.5 Where this Code requires a policy to be established, that policy must be in writing and a copy must be given to the specific personnel within the Licensee's organisation who are responsible for implementation of and compliance with the policy.
- 2.6 Where this Code requires Licensees to allocate responsibility to specific personnel within their organisations to be responsible for implementation of and compliance with this Code (including any policy required by this Code), the personnel responsible for implementation may be different from those responsible for compliance.
- ### 3 Recruitment of Relevant Employees
- 3.1 If a Licensee employs or uses (or intends to employ or use) Relevant Employees, the Licensee must:
- (a) establish, maintain and adhere to a recruitment policy in relation to the employment or use of Relevant Employees designed to facilitate the achievement of the Mail Integrity Objectives; and
  - (b) allocate responsibility to specific personnel within its organisation for the implementation of and compliance with that recruitment policy.
- 3.2 The recruitment policy should include:
- (a) an explanation of the jobs, roles or types of work, as the case may be, in respect of which the recruitment policy should apply;
  - (b) the types of information about a prospective Relevant Employee that the Licensee requires;
  - (c) the steps that the Licensee requires to be taken to satisfy itself of the identity of the prospective Relevant Employee;

## Schedule 2 – Condition 8: Protecting the integrity of mail

- (d) the steps which the Licensee expects to be taken in order to confirm a prospective Relevant Employee's work history over at least the immediately preceding 5 years (or the entire period of that Relevant Employee's working life, if that period is shorter than 5 years);
- (e) a requirement for prospective Relevant Employees to declare any criminal convictions or any cautions or conditional discharges for offences relating to:
  - (i) Postal Packets; or
  - (ii) dishonest conduct generally (in particular, theft, obtaining property by deception or fraud)and guidelines on how any such convictions, cautions or conditional discharges declared by prospective Relevant Employees will be taken into consideration in deciding whether or not to employ the prospective Relevant Employee.

3.3 For the avoidance of doubt, in respect of any Licensee's existing permanent, temporary, casual or part-time employee or worker (including those under a contract for service) who is not (or might not be) involved in conveying, receiving, collecting, sorting, delivering or otherwise handling Code Postal Packets in the course of his or her work and who is to be redeployed such that he or she will (or might be) so involved, such redeployment should be treated for the purposes of this paragraph 3 as effectively the employment or use of that individual as a Relevant Employee and be subject to the other provisions of this paragraph 3.

3.4 Licensees must reasonably regularly monitor implementation of and compliance with the recruitment policy.

3.5 Licensees must reasonably regularly review the recruitment policy and, where necessary, update or amend the policy to ensure that it continues to meet the Mail Integrity Objectives.

### **4 Training Relevant Employees**

4.1 If a Licensee employs or uses Relevant Employees, the Licensee must:

- (a) establish, maintain and adhere to a training policy that provides for Relevant Employees to receive initial and ongoing training so as to facilitate achievement of the Mail Integrity Objectives; and
- (b) allocate responsibility to specific personnel within its organisation for the implementation of and compliance with that policy.

4.2 Without prejudice to the generality of paragraph 4.1, all Relevant Employees must be informed of the provisions of sections 83 and 84 of the Act and made aware of the seriousness of the offences detailed in those sections.

4.3 The training policy should include:

- (a) the levels of training required to facilitate achievement of the Mail Integrity Objectives;
- (b) the levels of training required according to the differing responsibilities of, and work undertaken by, Relevant Employees in relation to Code Postal Packets;
- (c) details of the minimum level of training required;
- (d) an explanation of how the training will be provided;
- (e) the frequency with which training should be provided; and
- (f) details of how training is to be given, recorded and monitored.

4.4 Licensees must reasonably regularly monitor implementation of and compliance with the training policy.

4.5 Licensees must reasonably regularly review the training policy and, where necessary, update or amend the policy to ensure that it continues to meet the Mail Integrity Objectives.

### **5 Disciplinary Procedures**

5.1 If a Licensee employs or uses Relevant Employees, the Licensee must:

## Schedule 2 – Condition 8: Protecting the integrity of mail

- (a) make Relevant Employees aware of the standards of conduct in relation to facilitating achievement of the Mail Integrity Objectives the Licensee requires Relevant Employees to meet; and
  - (b) establish, maintain and adhere to a disciplinary policy in relation to the treatment of Relevant Employees who fail to meet the standards of conduct expected of them.
- 5.2 The standards of conduct and disciplinary policy should be such as to facilitate achievement of the Mail Integrity Objectives.
- 5.3 Licensees must allocate responsibility to specific personnel within their organisations for:
- (a) making Relevant Employees aware of the standards of conduct expected of them; and
  - (b) the implementation of and compliance with the disciplinary policy.
- 5.4 The disciplinary policy should include:
- (a) an explanation of what constitutes a failure to meet the standards of conduct and the action to be taken in relation to any failures;
  - (b) an explanation of how the Licensee ensures that all Relevant Employees understand when a failure to meet the standards of conduct might also constitute a criminal offence and how this will be dealt with;
  - (c) provision for appropriate records to be maintained detailing any action taken against Relevant Employees for failure to meet the standards of conduct; and
  - (d) a process to identify consistent failure to meet the relevant standards of conduct and the taking of appropriate remedial action.
- 5.5 Licensees must reasonably regularly monitor implementation of and compliance with the:
- (a) standards of conduct; and
  - (b) disciplinary policy.
- 5.6 Licensees must reasonably regularly review the:
- (a) standards of conduct; and
  - (b) disciplinary policy
- and, where necessary, update or amend the standards of conduct or disciplinary policy, as the case may be, to ensure that they continue to meet the Mail Integrity Objectives.

### **6 Security of Mail**

- 6.1 Notwithstanding the other requirements of this Code, Licensees must establish, maintain and adhere to such other policies and procedures as may reasonably be necessary to facilitate achievement of the Mail Integrity Objectives, in particular in relation to the security of relevant premises, and the use of vehicles and equipment in the collection, conveyance or delivery of Code Postal Packets.
- 6.2 Licensees must allocate responsibility to specific personnel within their organisations for the implementation of and compliance with the policies and procedures specified in paragraph 6.1.
- 6.3 The policies and procedures should include:
- (a) regular risk assessment;
  - (b) the maintenance of records so that Licensees can identify, as far as is reasonably practicable, which Relevant Employees were responsible for the conveyance, receipt, collection, sortation, delivery or handling of specific Code Postal Packets that have been interfered with; and
  - (c) the measures to be taken, including monitoring, to prevent or detect loss or theft of, damage to, or interference with, Code Postal Packets from or at premises, vehicles or equipment.

## Schedule 2 – Condition 8: Protecting the integrity of mail

- 6.4 Licensees must reasonably regularly review the policies and procedures and, where necessary, update or amend those policies and procedures to ensure that they continue to meet the Mail Integrity Objectives.

### **7 Information and Reporting Requirements**

- 7.1 All incidents of loss or theft of, damage to, or interference with Code Postal Packets must be recorded in reasonable detail.
- 7.2 Without prejudice to the generality of paragraph 7.1, information to be recorded in relation to "Serious Incidents" for the purposes of the Incident Guidelines includes:
- (a) the date, time and place of the incident;
  - (b) the number of (or where the precise number is not known, a reasonable estimate of the number of) Code Postal Packets the subject of the incident;
  - (c) as far as is reasonably practicable, the Relevant Employees involved in the conveyance, receipt, collection, sortation, delivery or handling, as the case may be, of the Code Postal Packets the subject of the incident; and
  - (d) any other particulars relating to the incident which it would be reasonable to record, including the factual circumstances in which the incident occurred.
- 7.3 Incidents which constitute "Serious Incidents" for the purposes of the Incident Guidelines (together with details of the date, time and place of the incident and the number of, or a reasonable estimate of the number of, Code Postal Packets the subject of the incident) are to be reported to Postcomm as soon as reasonably practicable and, in any event, within 48 hours of the Licensee becoming aware of their occurrence. The information required to be recorded in accordance with paragraphs 7.2(c) and 7.2(d) and any other information in relation to the incident that Postcomm may require should be reported to Postcomm as soon as reasonably practicable.
- 7.4 In respect of each period of three months in any year (each year ending on 31 March), each Licensee must submit to Postcomm (as soon as reasonably practicable, and in any event within 28 days, after the end of each such period) a report detailing any prosecutions which that Licensee has instigated in the relevant period and provide such information in relation to any relevant incident and prosecution that Postcomm may require.
- 7.5 Licensees must reasonably regularly review the information recorded under this paragraph 7 with a view to identifying any trends, patterns or other notable features (such as above average incident levels at certain premises).
- 7.6 Licensees must submit to Postcomm and Postwatch annual reports not later than 3 months from the end of the year (being 31 March) to which those reports relate, which include:
- (a) the number of (or where precise numbers are not known, reasonable estimates of the numbers of) Code Postal Packets during the relevant year which were lost, stolen, damaged or interfered with; and
  - (b) details of any trends, patterns or other notable features (such as above average incident levels at certain premises) in relation to the incidence of loss or theft of, damage to, or interference with, Code Postal Packets.
- 7.7 Licensees must also submit to Postcomm and Postwatch with each annual report submitted under paragraph 7.6, a statement of the measures that the Licensee intends to take to remedy any failures or patterns of failure to achieve the Mail Integrity Objectives and to reduce the numbers of Code Postal Packets lost, stolen, damaged or interfered with.
- 7.8 Licensees must allocate responsibility to specific personnel within their organisations for meeting the recording, reporting and other requirements of this paragraph 7.

### **8 Agents and Sub-Contractors**

- 8.1 Each Licensee shall ensure that, so far as is reasonably practicable, all of:

## Schedule 2 – Condition 8: Protecting the integrity of mail

- (a) its franchisees, agents or sub-contractors (if any) who are involved in the conveyance, receipt, collection, sortation, delivery or handling of Code Postal Packets, comply with this Code as if this Code applied to the franchisee, agent or sub-contractor; and
  - (b) its agents or sub-contractors (if any) who are responsible for providing Relevant Employees to work for the Licensee, comply with this Code as if this Code applied to such agent or sub-contractor.
- 8.2 Where the franchisee, agent or sub-contractor is a Licensee, it shall be sufficient for the Licensee which lets the franchise, appoints the agent or engages the sub-contractor, as the case may be, to rely on the direct application of this Code to that Licensee in fulfilment of its obligations under paragraph 8.1(a).

## **PART 4 – PROMOTION OF EFFECTIVE COMPETITION BETWEEN POSTAL OPERATORS**

### **Condition 9: Access to the Licensee’s postal facilities**

#### **Part 1**<sup>1</sup>

1. This part of this Condition shall apply if Postcomm has not issued a determination in writing pursuant to paragraph 1 of Part 2 of this Condition.
2. If any person who is a postal operator or [<sup>2</sup>]user applies for access to the Licensee’s postal facilities the Licensee shall –
  - (a) negotiate with that person in good faith with a view to agreeing with him terms for such access, and
  - (b) unless Postcomm agrees otherwise in writing, where the person applying for access provides to the Licensee the information in connection with his application which meets the requirements of guidelines established in the manner set out in paragraph 6 then the Licensee shall, within the period of three months commencing with the full provision of that information, provide to that person, a statement of the main terms on which, subject to agreement on other terms and conditions, it would be prepared to offer to provide access to its postal facilities, which statement shall include terms as to –
    - (i) price,
    - (ii) weight and format of postal items that will be accepted by the Licensee,
    - (iii) minimum volumes to be provided by the person seeking access,
    - (iv) sortation requirements of the Licensee,
    - (v) presentation requirements,
    - (vi) addressing requirements,
    - (vii) points at which mail may be injected into the Licensee’s postal facilities,
    - (viii) times as which mail may be injected into the Licensee’s postal facilities,
    - (ix) the distribution of volumes of letters between postcode districts to be assumed by the Licensee for the purpose of making an offer,

---

<sup>1</sup> Part 1 was modified on 25 May 2006.

<sup>2</sup> “large” had been deleted on 1 April 2003.

## Schedule 2 – Condition 9: Access to the Licensee’s postal facilities

- (x) target delivery times for delivery by the Licensee and the percentage of letters to be delivered within such targets,
- (xi) arrangements for compensation in the event of failure to meet delivery time targets,
- (xii) requirements for interface with information systems, and
- (xiii) conditions relating to the security of the Licensee’s premises and operations.

3. Terms agreed following negotiations pursuant to paragraph 2 shall –
- (a) provide that any access prices shall be based on a reasonable allocation of costs,
  - (b) be such that the licensee does not unduly discriminate between persons having access to its postal facilities or show undue preference towards any such person, and

in this paragraph, the determination of costs shall have regard, as appropriate, to the Licensee’s obligations under Conditions 2 and 10(5) of this Licence.

4. If negotiations conducted pursuant to paragraph 2 fail to lead to agreement between the Licensee and any person seeking access to the Licensee’s postal facilities pursuant to that paragraph and if Postcomm on the application of such a person –
- (a) has given the Licensee not less than 28 days’ notice in writing that it proposes to give a direction to allow that person to have access to the Licensee’s postal facilities on such terms as may be specified in the notice, and
  - (b) has given to the Licensee the opportunity in that period of not less than 28 days to make representations to it in relation to its proposal to make such a determination, and
  - (c) after considering such representations requires the Licensee by a direction based upon the principles set out in paragraph 3 to allow that person to have access to the Licensee’s postal facilities on such terms as may be specified in the direction,

then the Licensee shall allow such access on such terms.

5. The Licensee shall –
- (a) except as Postcomm may by direction in writing provide otherwise,
    - (i) as soon as reasonably practicable after entering into an agreement for the conveyance of postal packets pursuant to, or in the manner anticipated by, this Condition, notify Postcomm and publish, in a manner which will ensure reasonable publicity for them, the main terms of the agreement (including the information referred to in sub paragraphs (i) to (xii) in paragraph 2(b) of this Condition), and
    - (ii) not commence the conveyance of postal packets under any agreement to which paragraph (i) applies before the expiry of

## Schedule 2 – Condition 9: Access to the Licensee’s postal facilities

one month from the date on which the main terms of that agreement are published in accordance with paragraph (i), and

- (b) publish a report on or before each 31 March during the term of this Licence setting out for each period of twelve months ending on the preceding 1 January particulars of the access given to its postal facilities pursuant to this Condition including the number of agreements in being during the period for access to its postal facilities the revenue derived from those agreements and the number of postal packets carried under those agreements.
6. The guidelines referred to in paragraph 2(b) shall be produced by the Licensee and shall be effective for the purpose of that paragraph when approved by Postcomm provided that –
- (a) where no guidelines have been produced by the Licensee or have been approved by Postcomm, the guidelines shall be such guidelines as may have been published for the purpose by Postcomm, and
  - (b) guidelines established under this paragraph may be amended by the Licensee at any time subject to the approval of Postcomm.

### **Part 2**

1. Paragraphs 4 to 7 of this Part of this condition shall apply if Postcomm –
- (a) has given to the Licensee, the Council and such other persons as appear to Postcomm to be appropriate not less than 28 days’ notice in writing that it proposes to issue a determination pursuant to paragraph (c), and
  - (b) has given to the Licensee, the Council and the other persons to whom the notice described in paragraph (a) was given the opportunity in that period of not less than 28 days to make representations to it in relation to its proposal to issue such a determination, and
  - (c) after considering such representations has issued a determination in writing that the Licensee has established arrangements in relation to the use of its postal facilities by other persons (“an access code”) which comply with the requirements of paragraphs 2 to 5 of this Part of this condition.
2. An access code shall be such as to facilitate the achievement of the following objectives –
- (a) the provision of a universal postal service in the authorised area and, subject to that,
  - (b) securing the interests of users of postal services, having regard to the interests of individuals who are disabled or chronically sick, or of pensionable age, or with low incomes or residing in rural areas,
  - (c) promoting competition between postal operators, and
  - (d) subject to the above, promoting efficiency and economy on the part of the Licensee and other postal operators,

## Schedule 2 – Condition 9: Access to the Licensee’s postal facilities

hereinafter referred to as “the relevant objectives”.

3. An access code shall contain distinct sections dealing with –
  - (a) the physical and operational requirements to be complied with by persons having access to and from the Licensee’s postal facilities,
  - (b) charges to be paid to the Licensee by other persons having access to and from the Licensee’s postal facilities, and
  - (c) procedures by which the requirements referred to in paragraph (a) and the charges referred to in paragraph (b) may, subject to the approval of Postcomm, be modified at the instigation of the Licensee or of another person or of the Council for the purpose of the better achievement of the relevant objectives.
4. Except in a case in which Postcomm accepts otherwise, the Licensee shall –
  - (a) enter into arrangements in relation to the use of its postal facilities with other persons when requested by them to do so, and
  - (b) only enter into such arrangements if they are in conformity with any relevant provisions of the access code.
5. The Licensee shall not make any modification to the access code except –
  - (a) in accordance with the procedures established pursuant to paragraph 3(c), or
  - (b) with the approval in writing of Postcomm,and shall furnish Postcomm with a copy of any modification made.
6. The Licensee shall –
  - (a) publish the access code as modified or changed from time to time in such form and manner as will obtain appropriate publicity for it, and
  - (b) send a copy of the access code as modified from time to time, to any person who asks for one and makes such payment to the Licensee in respect of the cost thereof as it may require not exceeding such amount as Postcomm may from time to time approve for the purposes hereof.
7. The Licensee shall prepare and publish a report on or before each 31 March during the term of any access code established pursuant to this part of this condition including, for each period of twelve months ending on the preceding 1 January –
  - (a) a general survey of the operation of the access code,
  - (b) particulars of the access given to the Licensee’s postal facilities pursuant to the access code including the number of persons using its postal facilities, the revenue derived from access under the code and the number of postal packets carried under the provisions of the code, and

Schedule 2 – Condition 9: Access to the Licensee’s postal facilities

- (c) the operation of the procedures for the modification of the access code.

**Condition 10: Prohibition of obtaining unfair commercial advantage**

1. This condition shall apply if the Licensee is required pursuant to a condition of this Licence to provide access to its postal facilities to other persons.
2. The Licensee shall conduct its business as a postal operator in the manner best calculated to secure that neither –
  - (a) the Licensee, nor
  - (b) any related person of the Licensee, nor
  - (c) any other person,obtains any unfair commercial advantage in connection with the provision by the Licensee of access to its postal facilities as described in paragraph 1.
3. Subject to paragraph 4, the Licensee shall use all reasonable endeavours to secure that no information in the possession of the Licensee as a result of giving access to its postal facilities to other persons –
  - (a) is disclosed for the benefit of or used for the purpose of any trading business conducted by the Licensee, or
  - (b) is disclosed for the benefit of or used for the purpose of any trading business conducted by any related person of the Licensee.
4. Paragraph 3 shall not apply in so far as –
  - (a) Postcomm may consent in writing,
  - (b) every person to whom the information relates has consented in writing to its disclosure or use as mentioned in paragraph 3,
  - (c) the disclosure is to, or the use is by, a person who –
    - (i) is acting as an agent of the Licensee for the provision of postal services,
    - (ii) is engaged by the Licensee for the purpose of the Licensee's business as a postal operator and has access to the information only for that purpose, and
    - (iii) is restricted by contract with the Licensee from making any further disclosure or use of the information, or
  - (d) the information has been published or is required to be disclosed as mentioned in paragraph 3 in pursuance of any other condition of this Licence, or
  - (e) the information is in the public domain otherwise than in consequence of a contravention of any condition of this Licence.
5. The terms on which the Licensee and any related person of the Licensee have access to the Licensee's postal facilities shall be no more and no less favourable than the terms on which those facilities may be made available to other persons in accordance with condition 9 of this Licence.

**Condition 11: Promotion of effective competition<sup>1</sup>**

1. Paragraph 2 of this Condition shall not apply –
  - (a) to postal services offered under the Parcelforce brand –
    - (i) which were offered on 1 April 2006, or
    - (ii) which may be offered subsequently and which are substantially similar to those services;and in each case were or are neither authorised nor required by this Licence, or
  - (b) where the postal services are supplied in a sector of the market where there is effective competition, or
  - (c) where the terms on which the Licensee supplies or offers to supply postal services are necessary for it to comply with the obligations of Condition 2 of this Licence.
2. Subject to paragraphs 1, 3 and 4 and to its obligations under Condition 2 of this Licence, the Licensee –
  - (a) in the terms on which it supplies or offers to supply postal services to customers –
    - (i) shall not show undue preference to any person or class of persons, and
    - (ii) shall not exercise any undue discrimination against or seek to impose any undue restriction on any person or class of persons, and
  - (b) shall not set terms or charges for the supply of postal services –
    - (i) which are excessive, or
    - (ii) which are predatory.
3. Where conduct is prohibited under section 18 of the Competition Act 1998 or Article 82 EC Treaty, questions as to whether paragraph 2 has been breached by that conduct shall be dealt with in a manner which is consistent with the treatment of corresponding questions arising under section 18 of that Act or Article 82 EC Treaty.
4. Where conduct under paragraph 2 is not prohibited by section 18 of the Competition Act 1998 or Article 82 EC Treaty, questions as to whether paragraph 2 has been breached shall be dealt with in a manner which is consistent in so far as possible with the treatment of questions arising under section 18 of that Act or Article 82 EC Treaty.

---

<sup>1</sup> This version of Condition 11 was introduced on 25 May 2006 in substitution for the condition which had applied from the grant of the Licence.

## Schedule 2 – Condition 11: Promotion of effective competition

5. Paragraph 4 shall apply except to the extent that such treatment of questions as to whether paragraph 2 has been breached is inconsistent with the duties of Postcomm arising under sections 3 and 5 of the Act.
6. The Licensee shall furnish to Postcomm full copies of any written submissions to the Office of Fair Trading or to the European Commission or any other National Competition Authority (within the meaning of Council Regulation (EC) 1/2003) which relate to –
  - (a) the Competition Act 1998 or Articles 81 or 82 of the Treaty of Rome;  
and
  - (b) the Licensee's business as a provider of postal services in the United Kingdomwithin seven days of the making of the submission.
7. The Licensee shall furnish Postcomm with such information concerning any submissions of the kind referred to in paragraph 6 as Postcomm may by notice in writing require.
8. Information required to be furnished under paragraph 7 shall be furnished in such manner, in such form, at such place and at such times as Postcomm may reasonably require.

**Condition 12: Mergers, takeovers and change of control**

1. The Licensee shall furnish to Postcomm full copies of any –
  - (a) notice given to the Director General of Fair Trading under section 75A of the Fair Trading Act 1973, and
  - (b) any notification made to the European Commission for the purposes of Council Regulation EEC 4064/89 as amended from time to time,within seven days of the giving of the notice or the making of the notification.
2. The Licensee shall furnish to Postcomm a copy of any informal written submission made –
  - (a) to the Director General of Fair Trading in relation to proposed arrangements of the kind referred to in section 75A of the Fair Trading Act 1973, or
  - (b) to the European Commission in relation to the application or possible application of Council Regulation EEC 4064/89 as amended from time to time,within seven days of the making of the submission.
3. The Licensee shall furnish Postcomm with such information concerning any notices, notifications or submissions of the kinds referred to in paragraphs 1 or 2 as Postcomm may by notice in writing require.
4. Information required to be furnished under paragraph 3 shall be furnished in such manner, in such form, at such place and at such times as Postcomm may reasonably require.
5. The Licensee shall notify Postcomm of any change of control of the Licensee as soon as practicable after the occurrence of the change.

**Condition 13: Appointment of compliance officer**

1. The Licensee shall take all reasonable precautions against the risk of failure to comply with the conditions of this Part of this Licence.
2. The Licensee shall take all reasonable precautions against the risk of failure to comply with any requirement made on it under conditions 17 or 18 of this Licence.
3. The Licensee shall ensure that –
  - (a) at all times it employs a competent person (hereafter referred to as “the Compliance Officer”) for the purpose of facilitating compliance by the Licensee with the conditions contained in this Part of this Licence and with the conditions referred to in paragraph 2,
  - (b) it consults Postcomm before employing any person as the Compliance Officer, and
  - (c) the Compliance Officer is provided with such staff and facilities as he may reasonably require to perform the tasks assigned to him pursuant to this condition.
4. The Licensee shall assign the following tasks to the Compliance Officer –
  - (a) the establishment of procedures, after consulting Postcomm, for ensuring that –
    - (i) the conditions of this Part of this Licence,
    - (ii) any requirement made on the Licensee under conditions 17 and 18 of this Licence, and
    - (iii) the precautions referred to in paragraphs 1 and 2, are effectively complied with,
  - (b) the investigation of any matter which is the subject of a representation made to the Licensee that the Licensee may be contravening any condition of this Part of this Licence or that the procedures established under paragraph (a) are not being complied with or are defective;
  - (c) the giving of advice to directors and employees of the Licensee or any related person of the Licensee for facilitating compliance with the conditions of this Part of this Licence and the procedures established under paragraph (a) and, in particular, as to whether any information is information to which paragraph 3 of condition 10 applies.
5. The Licensee shall, as soon as practicable after the end of each financial year, furnish to Postcomm and publish in such form and manner as Postcomm may direct, a comprehensive report on the Compliance Officer’s activities during that year.

## **Condition 14: Postal Common Operational Procedures**<sup>1</sup>

1. In this Condition:
  - (a) “Access Agreement” means an agreement other than a Royal Mail Access Agreement between Licensees which permits access to a Licensee’s postal facilities;
  - (b) “Access Code” means a code relating to access to Royal Mail’s postal facilities established in accordance with Condition 9 in Schedule 2 to the licence granted to Royal Mail under section 11 of the Act;
  - (c) the “Code Objectives” means the objectives set out in paragraph 1.1 of the “Postal Common Operational Procedures Code”;
  - (d) "Intermediary Agreement" means an agreement other than a Royal Mail Access Agreement between a Licensee and Royal Mail under which that Licensee delivers postal packets to Royal Mail for subsequent conveyance;
  - (e) “Licensees” means the holders of licences under section 11 of the Act from time to time;
  - (f) the “Postal Common Operational Procedures Agreement” means the default contract designated by Postcomm by direction given for the purpose of this Condition generally and published on 31 December 2005 (as modified from time to time in accordance with paragraph 3 below) established for the purpose of giving effect to the Postal Common Operational Procedures Code in the absence of alternative contractual arrangements between Licensees;
  - (g) the “Postal Common Operational Procedures Code” means the code of practice entitled “Common Operational Procedures – A Code of Practice” set out in the Annex to this Condition established for the purpose of facilitating the achievement of the Code Objectives;
  - (h) “Royal Mail” means Royal Mail Group plc registered in England and Wales with company number 4138203 and having its registered office at 148 Old Street London EC1V 9HQ; and
  - (i) “Royal Mail Access Agreement” means an agreement between Royal Mail and the Licensee or customer entered into pursuant to Condition 9 in Schedule 2 to the licence granted to Royal Mail under section 11 of the Act which permits access to Royal Mail’s postal facilities.

---

<sup>1</sup> This Condition was introduced on 2 November 2005 as Condition 21 to introduce common operational procedures among licence holders for the advent of full competition on 1 January 2006.  
The condition was moved, and modified to remove spent transitional provisions, on 25 May 2006.

**Compliance with the code and adherence to the agreement**

2. Unless Postcomm otherwise consents, the Licensee shall:
  - (a) comply with the Postal Common Operational Procedures Code,
  - (b) become and thereafter remain a party to the Postal Common Operational Procedures Agreement which shall apply insofar as
    - (i) it is consistent with, and deals with matters not provided for in, the terms and conditions of any Access Agreement, Intermediary Agreement or Royal Mail Access Agreement to which the Licensee is a party,
    - (ii) it is consistent with, and deals with matters not provided for in, the terms and conditions of any Access Code to which the Licensee is a party,
    - (iii) the Licensee has not established alternative arrangements with other Licensees relating to the treatment of misdirected and miscollected mail;
  - (c) at all times refrain from acting in a manner which is inconsistent with the Code Objectives or which is likely to prejudice the effective functioning of the Postal Common Operational Procedures Code;
  - (d) not use any information pertaining to the business or operations of another person (including information relating to that person's customers) obtained by virtue of being a party to any agreement of the type referred to in paragraph (b) in order to secure, or in a manner that reasonably could be expected to secure, any unfair commercial advantage;
  - (e) within one month of becoming a party to any agreement of the types referred to in paragraphs (i), (ii) and (iii) of paragraph (b), provide a copy of the terms of that agreement to Postcomm and such other information in relation to that agreement as Postcomm may require; and
  - (f) if nominated by Postcomm by direction in writing given for the purposes of this Condition generally to the office of Secretary of the Postal Common Operational Procedures Agreement, perform the functions of that office in an efficient, timely, impartial and professional manner, subject to reimbursement by Postcomm of the costs reasonably incurred in the discharge of those functions.
3. The Postal Common Operational Procedures Agreement shall be deemed to be modified in accordance with this paragraph if:
  - (a) Postcomm has received a proposal to change the Postal Common Operational Procedures Agreement from a person entitled under its provisions to make such a proposal, and
  - (b) that proposal has been submitted to Postcomm in the manner, and containing the information, provided for in the Postal Common Operational Procedures Agreement, and

## Schedule 2 – Condition 14: Postal Common Operational Procedures

- (c) Postcomm:
  - (i) is of the opinion that modification of the Postal Common Operational Procedures Agreement in the manner proposed will enable the Code Objectives better to be fulfilled,
  - (ii) has given notice of the proposed modification in accordance with paragraphs 5 and 6 below,
  - (iii) has considered any representations made in accordance with that notice and not withdrawn, and
  - (iv) has directed by a direction given for the purpose of this Condition generally that the proposed modification be made.
- 4. A notice under paragraph 3(c)(ii) shall be in accordance with this paragraph if it states:
  - (a) that Postcomm proposes to make the modification,
  - (b) the effect of the proposed modification,
  - (c) the reasons for the proposed modification, and
  - (d) the period (of not less than 28 days starting with the date of publication of the notice) within which representations may be made in relation to the proposed modification.
- 5. A notice under paragraph 3(c)(ii) shall be in accordance with this paragraph if it is given by:
  - (a) serving a copy of the notice on each of the parties to the Postal Common Operational Procedures Agreement as at the date of such notice and on the Council, and
  - (b) publishing the notice in such manner as Postcomm considers appropriate for the purpose of bringing the matters included in the notice to the attention of persons likely to be affected by them.

Annex to Condition 14

**Common Operational Procedures – A Code of Practice**

**Contents**

<b>1</b>	<b>Introduction</b>	<b>53</b>
<b>2</b>	<b>Some Definitions and Rules of Interpretation</b>	<b>54</b>
<b>3</b>	<b>Code Identifier and voluntary application of the Code</b>	<b>56</b>
<b>4</b>	<b>Treatment of Misdirected Code Letters</b>	<b>57</b>
<b>5</b>	<b>Treatment of Miscollected Code Letters</b>	<b>57</b>
<b>6</b>	<b>Customer Service Enquiries</b>	<b>58</b>
<b>7</b>	<b>Information and Reporting</b>	<b>58</b>

**Common Operational Procedures – A Code of Practice**

**1 Introduction**

- 1.1 This is the Code of Practice covering common operational procedures for handling misdirected or miscollected mail and misdirected complaints or other enquiries. Its purpose is to achieve the following objectives in respect of such matters (the **Code Objectives**):
- (a) the furtherance of the interests of Users of Postal Services;
  - (b) ensuring that Miscollected Code Letters and Misdirected Code Letters are:
    - (i) returned to the Intended Operator; or
    - (ii) if such return is not reasonably practicable, otherwise handled (including, where appropriate, delivered to the intended User)in either case in an efficient, economic and timely manner;
  - (c) ensuring complaints or other enquiries (including from customers) in relation to Code Letters made to a Licensee which is not the Licensee to which the complaint or other enquiry should have been made, are handled in an efficient, economic and timely manner; and
  - (d) so far as is consistent with sub-paragraphs (a) to (c), the promotion of effective competition between Licensees.
- 1.2 The Code sets out the requirements and procedures to be followed in order to satisfy the Code Objectives.

## Schedule 2 – Condition 14: Postal Common Operational Procedures

- 1.3 This Code applies to all Licensees. Compliance is obligatory for all Licensees in accordance with the terms of their Licences.
- 1.4 Licensees will need to enter into contractual arrangements separate to this Code in order to comply with and give effect to the provisions of the Code: for example, day-to-day arrangements for the repatriation of misdirected mail and any charges payable for that service will need to be established. Licensees are required to be party to a separate "default agreement" – the Postal Common Operational Procedures Agreement – so as to ensure that in the absence of any bespoke negotiated arrangements between relevant Licensees, Licensees will be able to comply with this Code.

### 2 Some Definitions and Rules of Interpretation

- 2.1 In this Code, unless the context requires otherwise:

<b>Act</b>	means the Postal Services Act 2000 (as amended from time to time);
<b>Access Indicator</b>	means the Customer Access Indicator and the Royal Mail Access Indicator as those terms are defined in the relevant Royal Mail Access Agreement;
<b>Access Party</b>	means a Licensee (other than Royal Mail) that is party to a Royal Mail Access Agreement;
<b>Code Identifier</b>	means such mark, number or other identifier unique to each Licensee as may be allocated and notified to each Licensee from time to time by Postcomm;
<b>Code Letter</b>	means: <ul style="list-style-type: none"><li>(a) in the case of Royal Mail and a Licensee acting in the capacity of an Access Party or Intermediary, a Postal Packet which is no larger than 460mm by 610mm by 460mm (or, if a tubular Postal Packet, the length plus twice the diameter does not exceed 1040mm with a maximum length of 900mm), and no heavier than 2kg;</li><li>(b) in the case of any other Licensee (including an Access Party or Intermediary not acting in the capacity of Access Party or Intermediary), a Letter which:<ul style="list-style-type: none"><li>(i) is conveyed in consideration of a payment of not more than £1 made by or on behalf of the person for whom it is conveyed; and</li><li>(ii) weighs less than 350 grams;</li></ul></li><li>(c) any Postal Packet deemed to be a Code Letter in accordance with paragraph 3.7 of this Code;</li></ul>
<b>Code Objectives</b>	has the meaning ascribed to it in paragraph 1.1 of this Code;
<b>Indicator</b>	means in the case of an Access Party acting in that capacity, the relevant Access Indicator, and in all other cases, a payment indicator

## Schedule 2 – Condition 14: Postal Common Operational Procedures

such as PPI;

<b>Intended Operator</b>	means the Licensee which, in accordance with arrangements agreed between that Licensee and its customer, is responsible for the conveyance and delivery of the Relevant Code Letters;
<b>Intermediary</b>	means a Licensee (other than an Access Party) that is party to arrangements with Royal Mail under which that Licensee delivers Postal Packets to Royal Mail for subsequent conveyance;
<b>Letter</b>	has the meaning ascribed to it in the Act but excludes parcels;
<b>Licence</b>	means a licence (as amended or replaced from time to time) granted under section 11 of the Act;
<b>Licensee</b>	means a Postal Operator that holds a Licence;
<b>Miscollected Code Letters</b>	means Code Letters which have been collected in error by a Licensee which is not the Intended Operator;
<b>Misdirected Code Letters</b>	means Code Letters, other than Miscollected Code Letters (but, for the avoidance of doubt, including Misposted Code Letters), which have entered the Postal Facilities of a Licensee which is not the Intended Operator in respect of those Code Letters;
<b>Misposted Code Letters</b>	means Code Letters which due to customer error have entered the Postal Facilities of a Licensee which is not the Intended Operator in respect of those Code Letters and which have not been delivered to the relevant addressee;
<b>Postal Facilities</b>	means the physical and human resources deployed by a Licensee (and, where relevant, by its contractors and agents) for the purpose of providing Postal Services;
<b>Postal Operator</b>	has the meaning ascribed to it in the Act;
<b>Postal Packet</b>	has the meaning ascribed to it in the Act but excludes parcels;
<b>Postal Services</b>	has the meaning ascribed to it in the Act;
<b>Postcomm</b>	means the Postal Services Commission established under section 1 of the Act;
<b>Prohibited Code Letters</b>	means any Postal Packet (including parcels) which contains items and/or material prohibited or restricted by the Scheme;
<b>Receiving Operator</b>	means the Licensee whose Postal Facilities the Relevant Code Letters (in respect of which it is not the Intended Operator) have entered;
<b>Relevant Code</b>	means Miscollected Code Letters or Misdirected Code Letters, as the case may be;

## Schedule 2 – Condition 14: Postal Common Operational Procedures

### Letters

<b>Royal Mail</b>	means Royal Mail Group plc registered in England and Wales with company number 4138203 and having its registered office at 148 Old Street London EC1V 9HQ;
<b>Royal Mail Access Agreement</b>	means an agreement between Royal Mail and a Licensee entered into pursuant to Condition 9 (or other comparable condition) of Royal Mail's Licence which permits access to Royal Mail's Postal Facilities;
<b>Scheme</b>	means the Successor Postal Services Company Inland Letter Post Scheme 2001 made pursuant to section 89 of the Act (or other comparable scheme made pursuant to that section);
<b>Sender</b>	has the meaning ascribed to it in the Act;
<b>User</b>	has the meaning ascribed to it in the Act;
<b>Voluntary Code Letter</b>	means any Postal Packet (other than a Prohibited Code Letter) which is not a Code Letter for the purposes of paragraph (b) of the definition of Code Letter but which is no larger than 460mm by 610mm by 460mm (or, if a tubular Postal Packet, the length plus twice the diameter does not exceed 1040mm with a maximum length of 900mm), and no heavier than 2kg.

2.2 In this Code, unless the context requires otherwise, the words **include**, **including** and **in particular** are to be construed as being by way of illustration or emphasis and do not limit or prejudice the generality of any foregoing words. The singular includes the plural and vice versa.

2.3 This Code shall not be interpreted in any way which is inconsistent with the Code Objectives.

### 3 Code Identifier and voluntary application of the Code

#### *General*

- 3.1 Subject to the other provisions of this paragraph 3, each Licensee must take all reasonable steps:
- (a) to ensure that its relevant Code Identifier is clearly and legibly marked in accordance with industry practice on each Code Letter in respect of which it is the Intended Operator;
  - (b) not to mark its relevant Code Identifier on any Postal Packet (which for the purposes of this paragraph 3 includes parcels) in respect of which it is the Intended Operator which is not a Code Letter.

#### *Royal Mail*

- 3.2 Royal Mail will be taken to have satisfied its obligations under paragraph 3.1(a) if a Code Letter in respect of which Royal Mail is the Intended Operator bears:
- (a) a Royal Mail postage stamp; or
  - (b) a mark or impression which includes the words "Royal Mail" or other reasonably recognisable Royal Mail text or symbol.

## Schedule 2 – Condition 14: Postal Common Operational Procedures

- 3.3 In relation to all other Code Letters in respect of which Royal Mail is the Intended Operator which do not meet the requirements of paragraph 3.2, Royal Mail must comply with paragraph 3.1(a).

### *Access Parties and Intermediaries*

- 3.4 An Access Party or Intermediary will be taken to have satisfied its obligations under paragraph 3.1(a) if a Code Letter in respect of which the Access Party or Intermediary is the Intended Operator, is marked with that Access Party's or Intermediary's Indicator.
- 3.5 In relation to all other Code Letters in respect of which an Access Party or Intermediary is the Intended Operator which do not meet the requirements of paragraph 3.4, that Access Party or Intermediary must comply with paragraph 3.1(a).

### *Voluntary application of the Code*

- 3.6 A Licensee (other than Royal Mail, and an Access Party and an Intermediary acting in those capacities) may elect to extend the application of the Code to Voluntary Code Letters.
- 3.7 If a Licensee makes an election in accordance with paragraph 3.6, those Voluntary Code Letters in respect of which the election is made:
- (a) must be clearly and legibly marked in accordance with industry practice with the relevant Code Identifier; and
  - (b) if so marked, shall be deemed to constitute for all purposes of this Code, Code Letters.

## **4 Treatment of Misdirected Code Letters**

- 4.1 Licensees must take all reasonable steps to ensure that Misdirected Code Letters are:
- (a) returned to the Intended Operator; or
  - (b) if such return is not reasonably practicable, otherwise handled (including, where appropriate, delivered to the intended User)
- in either case, in an efficient, economic and timely manner.
- 4.2 Licensees may:
- (a) charge the relevant Intended Operator for the reasonable costs properly and reasonably incurred in returning or otherwise handling the relevant Misdirected Code Letter in accordance with paragraph 4.1;
  - (b) where in accordance with paragraph 4.1 they deliver or return the relevant Misdirected Code Letter to the relevant intended User or Sender, as the case may be, charge the User or Sender for such delivery or return on the same basis that they would be entitled to charge if they were the Intended Operator of the relevant Misdirected Code Letter.

## **5 Treatment of Miscollected Code Letters**

- 5.1 Licensees must take all reasonable steps to ensure that Miscollected Code Letters are returned to the Intended Operator or its customer, in either case, in an efficient, economic and timely manner.

## Schedule 2 – Condition 14: Postal Common Operational Procedures

- 5.2 Licensees may not charge for returning the relevant Miscollected Code Letters in accordance with paragraph 5.1.

### **6 Customer Service Enquiries**

- 6.1 If a Licensee receives a complaint or other enquiry in relation to a Code Letter that should have been made to another Licensee, the Licensee receiving the complaint or other enquiry shall:
- (a) treat that complaint or other enquiry with the same degree of care and importance that it would if the complaint or other enquiry should have been made to that Licensee;
  - (b) explain to the complainant that the complainant should contact the other relevant Licensee; and
  - (c) provide to the complainant the contact details of that other relevant Licensee.
- 6.2 If a Licensee receives a complaint or other enquiry where the identity of the Licensee to which that complaint or other enquiry should have been made is not discernable from the relevant Code Letter, the Licensee receiving the complaint or other enquiry is only required to refer the complainant to the Sender of the Code Letter.
- 6.3 Licensees must take all reasonable steps to ensure that they have sufficient personnel properly trained (and with access to all relevant information) in order to handle complaints or other enquiries in accordance with the other provisions of this paragraph 6.

### **7 Information and Reporting**

- 7.1 Within 3 months of 31 March each year, each Licensee must provide to Postcomm details of:
- (a) the total number of Misdirected Code Letters in respect of which that Licensee was the Receiving Operator during the relevant year ending 31 March; and
  - (b) where relevant, the total such number broken down by Intended Operator.
- 7.2 Licensees must supply to Postcomm:
- (a) their correct and up-to-date customer services contact details; and
  - (b) any other information in relation to the subject matter of this Code as Postcomm may require.

## PART 5 – ACCOUNTING SEPARATION AND RINGFENCING

### **Condition 15: Accounting separation<sup>1</sup>**

1. The Licensee shall –
  - (a) maintain accounting and financial records, and
  - (b) ensure (to the extent that its own accounting and financial records do not do so) that any related person of the Licensee or agent of the Licensee through whom the Licensee provides a universal postal service or any part of such a service maintains financial and accounting records,  
which comply with this condition.
2. Unless Postcomm has by direction in writing agreed otherwise, the records referred to in paragraph 1 shall –
  - (a) enable separate accounts to be maintained for the provision of –
    - (i) each of<sup>2</sup> the licensed services,
    - (ii) each of<sup>3</sup> the non-licensed services which are part of a universal postal service,
    - (iii) non-licensed services which are not part of a universal postal service, and
    - (iv) any service or activity not comprising the conveyance of postal packets,
  - (b) be such that if each of the separate services was carried on by a separate company incorporated under the Companies Act 1985 each of those companies would comply with subsections 221 (1) and (2) of that Act,
  - (c) be kept for a period of six years,
  - (d) provide for the cost and revenue data reasonably attributable to each separate service to be separately identifiable, and
  - (e) be maintained using accounting systems operating on the basis of objectively justifiable cost accounting systems which allocate cost and revenue data to each of the separate services in such a manner that –
    - (i) cost and revenue data which can be directly assigned to a particular separate service shall be so assigned,
    - (ii) common cost and revenue data, that is cost and revenue data which cannot be directly assigned to a

---

<sup>1</sup> Renumbered 25 May 2006 (formerly Condition 14).

<sup>2</sup> “each of” inserted 1 April 2003.

<sup>3</sup> “each of the” inserted 1 April 2003.

## Schedule 2 – Condition 15: Accounting separation

particular separate service, shall be allocated as follows –

- (aa) whenever possible, common cost and revenue data shall be allocated on the basis of direct analysis of the origin of the costs and revenues themselves,
  - (bb) when direct analysis is not possible, common cost and revenue categories shall be allocated on the basis of an indirect linkage to another cost or revenue category or group of cost or revenue categories for which a direct assignment or allocation is possible; the indirect linkage shall be based on comparable cost or revenue structures, and
  - (cc) when neither direct nor indirect measures of cost or revenue allocation can be found, the cost or revenue category shall be allocated to each of the separate services on the basis of a general allocator which shall be the proportion of all the costs or revenues which can be directly or indirectly assigned or allocated which are so assigned or allocated to that separate service.
3. Unless Postcomm agrees otherwise in writing, the Licensee shall prepare, or procure the preparation of, separate accounts from the records maintained pursuant to paragraph 1 for each of the separate services for each financial year.
4. The accounts to be prepared pursuant to paragraph 3 shall –
- (a) be prepared consistently with Generally Accepted Accounting Principles in so far as those principles may reasonably be applied, or with such other accounting principles as Postcomm may approve in writing, and
  - (b) comprise a profit and loss account, a balance sheet, and a cash flow statement and notes setting out the accounting policies adopted together with a reconciliation to the audited accounts prepared by the Licensee and, where appropriate its subsidiaries, pursuant to the Companies Act 1985.
5. The cost accounting principles used for the purpose of paragraph 2 and the accounting principles referred to in paragraph 4 shall be consistently applied and shall not be altered without the consent in writing of Postcomm and the Licensee shall comply with any request by Postcomm to –
- (a) demonstrate such consistency of application, or

## Schedule 2 – Condition 15: Accounting separation

- (b) re-state accounts for up to five previous years within the period of this Licence in the event of Postcomm approving any change in such cost accounting or accounting principles.
- 6. The Licensee shall cause the records maintained pursuant to paragraph 1 and the accounts prepared pursuant to paragraph 3 to be audited by competent independent auditors, approved by Postcomm, who shall be required to report on –
  - (a) compliance of the records maintained pursuant to paragraph 1 with the requirements of paragraph 2, and
  - (b) whether the accounts prepared pursuant to paragraph 3 fairly present the financial situation of each of the separate services for the period and at the time to which they relate and have been properly prepared in accordance with the requirements of paragraph 4(a).
- 7. The statements, accounts and reports described in paragraph 8 shall be furnished by the Licensee to Postcomm –
  - (a) for the financial year ending in March 2002, before the expiry of 5 months, and
  - (b) for each subsequent financial year, before the expiry of 4 months, from the end of the period to which they relate.
- 8. The statements, accounts and reports referred to in paragraph 7 are –
  - (a) a statement describing the cost accounting systems which were used in that year to allocate costs and revenues for the purposes of paragraph 2 in sufficient detail for Postcomm to be able to decide whether they have been consistently applied within the year and in comparison with the previous year,
  - (b) a copy of the accounts for the year prepared pursuant to paragraph 3, and
  - (c) a copy of the report of the auditors required by paragraph 6.
- 9. The Licensee shall use all reasonable endeavours to furnish to Postcomm, on or before 30 September 2001, statements, accounts and reports of the kind described in paragraph 8 for its predecessor as provider of a universal postal service in the United Kingdom for its financial year ending in March 2001 with comparable information for the previous financial year.

**Condition 16: Assets and financial resources – dedication and adequacy<sup>1</sup>**

1. In this condition “the necessary resources” means such –
  - (a) management resources,
  - (b) financial resources and financial facilities,
  - (c) physical assets,
  - (d) human resources, and
  - (e) working capital,as are sufficient to enable the Licensee to provide the licensed and the non-licensed services in the authorised area and to comply with its obligations under this Licence.
2. The Licensee shall at all times act in a manner calculated to secure that it has, or has access to, the necessary resources.
3. The Licensee shall not, and shall procure that any person who is a related person in relation to it will not –
  - (a) enter into any agreement, or
  - (b) undertake any activity,which creates any significant risk that the necessary resources will not be available to the Licensee to provide the licensed and the non-licensed services in the authorised area and to comply with its obligations under this Licence.
4. Without prejudice to the generality of paragraphs 2 and 3, the Licensee shall not –
  - (a) mortgage, charge or otherwise encumber, or
  - (b) provide any guarantee or assurance (however such guarantee or assurance may be described or defined) in consequence of which any claim may be made against, or any mortgage, charge or encumbrance may arise over,any of the necessary resources other than for the purposes of providing the licensed services and the non-licensed services in the authorised area.
5. Within three months of the end of each financial year occurring during the term of this Licence the Licensee shall submit to Postcomm a certificate as to the adequacy (or otherwise) of the necessary resources for the period of twelve months commencing on the date of the certificate, in one of the following terms –
  - (a) “After making enquiries, the directors of the Licensee have a reasonable expectation that the Licensee will have available

---

<sup>1</sup> Renumbered 25 May 2006 (formerly Condition 15).

## Schedule 2 – Condition 16: Assets and financial resources – dedication and adequacy

to it, after taking into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid, for the period of 12 months referred to in this certificate, the necessary resources (as that term is defined in condition 16 of the licence granted to the Licensee under the Postal Services Act 2000).”

- (b) “After making enquiries, the directors of the Licensee have a reasonable expectation, subject to the factors set out below, that the Licensee will have available to it, after taking into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid, for the period of 12 months referred to in this certificate, the necessary resources (as that term is defined in condition 16 of the Licence granted to the Licensee under the Postal Services Act 2000). However, they would like to draw attention to the following factors which may cast doubt on the ability of the Licensee to carry on the activities authorised or required by the Licence.”
  - (c) “In the opinion of the directors of the Licensee, the Licensee will not have available to it, for the period of 12 months referred to in this certificate, the necessary resources (as that term is defined in condition 16 of the licence granted to the Licensee under the Postal Services Act 2000).”
6. The Licensee shall submit to Postcomm with that certificate a statement of the main factors which the directors of the Licensee have taken into account in giving that certificate.
7. The Licensee shall –
- (a) notify Postcomm in writing immediately if its directors become aware of any circumstance that causes them to no longer have the reasonable expectation expressed in the most recent certificate, and
  - (b) subject to compliance with the listing rules of any exchange on which stocks or debt issued by the Licensee are traded, publish its notification to Postcomm in such form and manner as Postcomm may direct.
8. The Licensee shall obtain and submit to Postcomm with each certificate provided for in paragraph 5 a report prepared by its auditor stating whether or not the auditor is aware of any inconsistencies between, on the one hand, that certificate and the statement submitted with it and, on the other hand, any relevant information which he obtained during his audit work.
9. The Licensee shall procure from each company or other person which is at any time an ultimate holding company of the Licensee a legally enforceable undertaking in favour of the Licensee in the form specified by Postcomm that that ultimate holding company (“the

## Schedule 2 – Condition 16: Assets and financial resources – dedication and adequacy

- Covenantor”) will refrain from any action, and will procure that every subsidiary of the Covenantor (other than the Licensee and its subsidiaries) will refrain from any action, which would be likely to cause the Licensee to breach any of its obligations under the Licence.
10. Any undertaking required by paragraph 9 shall be obtained within 7 days of the company or other person in question becoming an ultimate holding company of the Licensee and shall remain in force for so long as the Licensee remains the holder of the Licence and the Covenantor remains the ultimate holding company of the Licensee.
  11. The Licensee shall –
    - (a) deliver to Postcomm a copy of any undertaking given to it for the purpose of paragraph 9 within seven days of it being made, and
    - (b) inform Postcomm immediately in writing if the directors of the Licensee become aware that any such undertaking has ceased to be legally enforceable or that its terms have been breached.
  12. The directors of the Licensee shall not declare or recommend a dividend, nor shall the Licensee make any other form of distribution within the meaning of section 263 of the Companies Act 1985, unless prior to the declaration, recommendation or making of the distribution (as the case may be) the Licensee shall have issued to Postcomm a certificate complying with the requirements of paragraph 13.
  13. The certificate referred to in paragraph 12 shall –
    - (a) be in the following form –

“After making enquiries, the directors of the Licensee are satisfied –

      - (i) that the Licensee is in compliance in all material respects with all obligations imposed on it by condition 16 of its licence under the Postal Services Act 2000, and
      - (ii) that the making of a distribution of [*amount*] on [*date*] will not, either alone or when taken together with other circumstances reasonably foreseeable at the date of this certificate, cause the Licensee to be in breach to a material extent of any of the obligations imposed on it by condition 16 of the Licence in the future.”, and
    - (b) be signed by a director of the Licensee and approved by a resolution of the board of directors of the Licensee passed not more than 14 days before the earliest of the dates on which the declaration, recommendation or payment will be made,

and where the certificate has been issued in respect of the declaration or recommendation of a dividend, the Licensee shall be

Schedule 2 – Condition 16: Assets and financial resources – dedication and adequacy

under no obligation to issue a further certificate prior to payment of that dividend.

## **PART 6 – PROVISION OF INFORMATION**

### **Condition 17: Provision of information to Postcomm<sup>1</sup>**

1. Subject to paragraph 3, the Licensee shall furnish to Postcomm such information as Postcomm may require or as may be necessary for the purpose of performing the functions assigned to Postcomm by or under the Act.
2. Information required to be furnished under this condition shall be furnished in such manner, in such form, at such place and at such times as Postcomm may require.
3. This condition shall not require the Licensee to produce any documents or supply any information which it could not be compelled to produce or supply in evidence in civil proceedings before the court on grounds other than that the information does not exist.
4. Subject to paragraph 3, nothing in this condition shall prejudice any right of Postcomm to require information under or pursuant to any other condition and the duty of the Licensee to furnish information pursuant to this condition shall not be affected by any obligation to furnish information under or pursuant to any other condition.

---

<sup>1</sup> Renumbered 25 May 2006 (formerly Condition 16).

**Condition 18: Provision of information to the Council<sup>1</sup>**

1. Subject to paragraph 3, the Licensee shall furnish to the Council such information as the Council may reasonably require or as may be reasonably necessary for the purpose of performing the functions assigned to the Council by or under the Act.
2. Information required to be furnished under this condition shall be furnished in such manner, in such form, at such place and at such times as the Council may require.
3. This condition shall not require the Licensee to produce any documents or supply any information which it could not be compelled to produce or supply in evidence in civil proceedings before the court on grounds other than that the information does not exist.
4. The Licensee shall accept the determination of Postcomm in relation to any question arising under paragraph 1 or 2 as to whether any information is reasonably required or is reasonably necessary for the purpose of performing the functions assigned to the Council by or under the Act.

---

<sup>1</sup> Renumbered 25 May 2006 (formerly Condition 17).

**Condition 19: Capital expenditure planning and reporting<sup>1</sup>**

- 1 The Licensee shall keep Postcomm informed of its planning for capital expenditure and of the amount of its capital expenditure in pursuance of its plans, in accordance with the following provisions of this Condition.
- 2 The Licensee shall ensure that Postcomm is provided at all times with a current copy of the policy and procedures approved and applied by its Board for the authorisation and control of expenditure on fixed assets, which procedures shall include a statement of the appraisal techniques adopted by the Licensee to assess the financial return on investments.
- 3 Not later than 31 March in any year the Licensee shall submit to Postcomm a statement in writing –
  - (a) summarising the capital expenditure it expects to incur in the period of twelve months starting immediately after that date and in each of the two periods of twelve months occurring thereafter in each category of expenditure referred to in paragraph 5, and
  - (b) showing, for each investment, expected internal rates of return, based on discounted cash flow analysis, on the expenditure and the expected payback period.
- 4 No later than 30 September in every year occurring after 2006 the Licensee shall submit to Postcomm a statement in writing summarising –
  - (a) capital expenditure it has committed to spend, and
  - (b) capital expenditure it actually has incurredin the period of twelve months ending on the immediately preceding 31 March.
- 5 Except as Postcomm may agree otherwise, a statement submitted for the purpose of paragraph 3 or 4 shall show separately expected or actual capital expenditure on –
  - (a) land and buildings,
  - (b) plant and machinery,
  - (c) vehicles,
  - (d) computers and information technology items, and
  - (e) other capital assets,in each case subdivided by the period over which the assets acquired as a result of the expenditure will be depreciated in the Licensee's published financial accounts.
- 6 A statement submitted for the purpose of paragraph 3 shall contain an explanation of any changes made in relation to any item included in the

---

<sup>1</sup> This condition was introduced on 25 May 2006.

## Schedule 2 – Condition 19: Capital expenditure planning and reporting

statement submitted in the previous year, including any downward revision to the expected internal rate of return.

- 7 A statement submitted for the purpose of paragraph 4 shall contain an explanation of any difference in excess of 5% between the amount shown in respect of any item included in the statement and the amount shown as expected for that item in the most recent statement submitted under paragraph 3 which refers to it.
- 8 For the purpose of this Condition “capital asset” includes –
  - (a) any asset not mentioned in paragraphs (a) to (d) of paragraph 5 that would fall within the description of intangible assets or of tangible assets for the purpose of Schedule 4 to the Companies Act 1985, and
  - (b) any asset employed for the purpose of the postal business under the provisions of a finance lease.

## PART 7 – MISCELLANEOUS PROVISIONS

### **Condition 20: Payment of amounts to Postcomm<sup>1</sup>**

1. The Licensee shall pay to Postcomm in any relevant year the amount determined in accordance with paragraph 2 at the times stipulated in paragraph 3.
2. (a) The amount payable under paragraph 1 in respect of a relevant year shall be –
  - (i) if the Licensee's turnover in the preceding relevant year, from activities which apart from this Licence would be prohibited by section 6(1) of the Act, did not exceed £10 million, the minimum sum, or
  - (ii) in all other cases, the minimum sum plus the additional sum.
- (b) The additional sum shall be calculated by –
  - (i) taking the total recoverable costs,
  - (ii) adding to that amount the amount (if any) determined by Postcomm (in consultation with the Competition Commission) as having been incurred by the Competition Commission in the preceding relevant year in connection with references made to it under section 15 of the Act,
  - (iii) multiplying the amount calculated as aforesaid by the factor –

$$\frac{A}{B} ,$$

where –

- “A” is the Licensee's turnover in the preceding relevant year, from activities which apart from this Licence would be prohibited by section 6(1) of the Act, and
- “B” is the turnover in that year of all holders of licences granted under the Act, from activities which apart from those licences would be prohibited by section 6(1) of the Act.

3. The amount due under paragraph 1 shall be payable on 30 June in the relevant year, or, if later, on the expiry of one month from the day on which Postcomm serves notice on the Licensee of such amount.

---

<sup>1</sup> Renumbered 25 May 2006 (formerly Condition 18).

## Schedule 2 – Condition 20: Payment of amounts to Postcomm

4. The Licensee shall comply with any requirement by Postcomm by notice in writing to maintain and audit records and to furnish Postcomm with information as to the Licensee's turnover in any relevant year from activities which apart from this Licence would be prohibited by section 6(1) of the Act.
5. In this condition –
  - “minimum sum” in relation to a relevant year, means £1,000,
  - “relevant year” means any year beginning on 1 April,
  - “total recoverable costs” means the aggregate of –
    - (a) the amount estimated by Postcomm as likely to be the costs incurred by it during the relevant year in the exercise of the functions assigned to it or arising by or under –
      - (i) the Act,
      - (ii) any other Act of Parliament,
      - (iii) any subordinate legislation made under any Act of Parliament, or
      - (iv) any Community obligation,
    - (b) the amount so estimated by Postcomm after consulting the Secretary of State as likely to be the amounts to be paid by the Secretary of State during the relevant year in respect of the expenses of the Council in accordance with paragraph 17 of Schedule 2 to the Act or in relation to the establishment of the Council, and
    - (c) the amount of the difference, if any, between the costs mentioned in sub-paragraph (a) or (b) which Postcomm considers were actually incurred during the previous relevant year and the estimate of the costs in question made by it for the purposes of this condition, where the latter exceeds the former the amount of the difference being treated as a negative amount.

## **PART 8 – PROVISIONS APPLICABLE TO THE SPECIAL CIRCUMSTANCES OF ROYAL MAIL GROUP PLC**

### **Condition 21: Prices for postal services<sup>1</sup>**

#### **Obligation to continue to provide the Regulated Services**

1. Except in so far as Postcomm on the application of the Licensee and after consultation with the Council directs otherwise, the Licensee shall at all times offer and provide the Regulated Services on as wide a basis within the United Kingdom as they were offered and provided in the month ending on 31 March 2006.
2. Except in relation to Access Services and subject to paragraphs 3 and 4, the Licensee shall at all times offer and provide the Regulated Services on terms other than price that are no less beneficial to the persons for whom the services are offered and provided than the terms on which they were offered and provided in March 2006.
3. The Licensee may apply to Postcomm at any time for approval to change the terms other than price on which any service subject to the obligation in paragraph 2 is offered and provided and if –
  - (a) the application is accompanied by a statement of agreement from the Council, and
  - (b) Postcomm has not, within one calendar month of receipt of the application, given notice in writing to the Licensee that Postcomm –
    - (i) rejects the application as being unclear or insufficiently detailed, or
    - (ii) is of the view that consultation is required before the change may be introduced,then the terms on which the service is offered may be changed from the end of that period of one month in the manner specified in the notice given by the Licensee;
4. Where an application by the Licensee under paragraph 3 is not accompanied by a statement of agreement from the Council, or Postcomm has indicated pursuant to paragraph 3(b)(ii) that consultation is required then, if Postcomm has –
  - (a) consulted with the Council and with such other persons as it sees fit,
  - (b) considered such further information (if any) as it may have required to be furnished, and

---

<sup>1</sup> Introduced and renumbered 25 May 2006 (formerly Condition 19). This version of the price control was introduced to replace the condition which had operated since 1 April 2003.

## Schedule 2 – Condition 21: Prices for postal services

- (c) issued to the Licensee a direction in writing stating that it has concluded that the terms on which the service in question is offered may be changed in the manner applied for by the Licensee with such modifications (if any) as may be specified in the direction,

then with effect from such date as may be specified in the direction those terms may be changed as provided in the direction.

### Overall price controls for Tariff Baskets A, B and Access services

5. Except in so far as Postcomm, on the application of the Licensee in the interest of relieving users of postal services from adverse volatility in prices charged by the Licensee for postal services, may by direction in writing agree otherwise, the Licensee shall take all reasonable steps to ensure that in each Formula Year after Formula Year  $t = 0$  it sets prices for the Controlled Services in each of Baskets A and B so as to meet the following conditions, namely –
- (a) in respect of each of Baskets A and B –

$$ER_t \leq AR_t$$

where –

$ER_t$  is the revenue earned from the Basket in Formula Year  $t$  calculated on an accruals basis in accordance with paragraph 6, and

$AR_t$  is the allowed revenue for the Basket in Formula Year  $t$  calculated in accordance with paragraph 7, and

- (b) in respect of Access Services the following conditions are met –
- (i) when the service is priced on a uniform national basis, for each Price Point in respect of each Access Service,  $S$ ,

$$p_{st} \leq arp_{yt} * \left( \frac{100 - D_{sy}}{100} \right)$$

where –

$p_{st}$  is the price at any time in Formula Year  $t$  for any Price Point for any Access Service,  $S$ ,

## Schedule 2 – Condition 21: Prices for postal services

$arp_{yt}$  is the Access Reference Price at the same time for the same Price Point for a corresponding end-to-end service in Basket B, numbered  $y$ , and

$D_{sy}$  is a price differential, calculated as at 30 March 2006, between the price at each Price Point for an Access Service,  $s$ , and the Access Reference Price at the same Price Point for its corresponding end-to end service,  $y$ , where –

for  $s = 39, y = 27$ ,

for  $s = 40, y = 28$ ,

for  $s = 41, y = 28$ ,

for  $s = 42, y = 21$ ,

for  $s = 43, y = 22$ ,

for  $s = 44, y = 24$ ,

for  $s = 45, y = 36$ , and

$s$  and  $y$  refer to the numbers of Controlled Services listed in paragraph 38(a), and

$D_{sy}$  shall be calculated for each Price Point for each Access Service using the formula –

$$D_{sy} = \left( \frac{arp_{yt=0} - ppp_{st=0}}{arp_{yt=0}} \right) * 100$$

where

(aa) until the introduction of Pricing in Proportion

$ppp_{st=0}$  is the price on 30 March in Formula Year  $t = 0$  at a Price Point for an Access Service,  $s$ , and

$arp_{yt=0}$  is the Access Reference Price on that date for the same Price Point for the corresponding Controlled Service,  $y$ , and

(bb) from the introduction of Pricing in Proportion  $ppp_{st=0}$  and  $arp_{yt=0}$  shall have such values at each Price Point as may be set out in or calculated pursuant to such direction as may be made by Postcomm for the purpose of this paragraph,

## Schedule 2 – Condition 21: Prices for postal services

provided that for Formula Years subsequent to Formula Year  $t = 2$ , if

- (aa) Postcomm has received a request to review any of the values of  $D_{sy}$  as calculated above from the Licensee, or from any person to whom the Licensee provides an Access Service,
- (bb) Postcomm has given not less than three months' notice of its intention to review such values to the Licensee, to all persons to whom the Licensee provides an Access Service and to the Council, and
- (cc) Postcomm has given to the persons referred to in paragraph (bb) the opportunity in that period to make representations to it in relation to the relevant request,

then, to the extent that Postcomm determines that it is appropriate, and if the Licensee consents, there shall be substituted such other value or values for  $D_{sy}$  (if any) as Postcomm may determine by direction in writing, and

- (ii) when the service is not priced on a geographically uniform basis the Licensee shall set prices by reference to Zones and, for each Price Range in respect of each service, the Zone 3 price shall equal the uniform national price calculated in accordance with paragraph (i) and for each Price Range in respect of every other Zone the price shall be the same multiple of the Zone 3 price as it was on 31 March 2006, provided that for Formula Years subsequent to Formula Year  $t = 2$ , if

- (bb) Postcomm has given not less than three months' notice to the Licensee, to all persons to whom the Licensee provides an Access Service and to the Council of its intention to review the relationship of Zone 3 prices to uniform national prices or the relationship of Zone 3 prices to prices in other Zones, and

- (cc) Postcomm has given to the persons referred to in paragraph (aa) the opportunity in that period to make representations to it in relation to its intention,

then, to the extent that Postcomm determines that it is appropriate, and if the Licensee consents, there shall be substituted such other relationships (if any) between Zone 3 prices and uniform national prices and between Zone 3 prices and prices in other Zones as Postcomm may determine by direction in writing.

6. For each Formula Year,  $t$ , the term  $ER_t$  shall be calculated for each of Baskets A and B using the formula –

Schedule 2 – Condition 21: Prices for postal services

$$ER_t = \sum_{s=a}^{s=b} er_{st}$$

where –

$er_{st}$  is the revenue earned from the conveyance of postal packets by a Controlled Service,  $s$ , in Formula Year  $t$ , and

$s$  is the number of a Controlled Service within a Basket, as set out in paragraph 38(a) and

for Basket A  $a = 1$  and  $b = 13$ , and

for Basket B  $a = 14$  and  $b = 38$ .

7. For each Formula Year the term  $AR_t$  shall be calculated for each of Baskets A and B using the formula –

$$AR_t = BR_t - K_t + C_t + PP_t + G_t$$

where –

$BR_t$  is the revenue from the services in the Basket in Formula Year  $t$  that would be derived from pricing those services in accordance with a basket of prices determined in the manner described in paragraphs 8, 9 and 10,

$K_t$  is an adjustment factor for over or under recovery of revenue from the services in the Basket in Formula Year  $t - 1$ , calculated in accordance with paragraph 11,

$C_t$  is a customer service quality factor for services in the Basket in Formula Year  $t$  calculated in accordance with paragraph 12,

$PP_t$  is a pension deficit pass-through for services in the Basket in Formula Year  $t$  calculated in accordance with paragraph 13, and

$G_t$  is a volume growth or decline factor for services in the Basket in Formula Year  $t$  calculated in accordance with paragraph 14.

8. The term  $BR_t$  shall be calculated–  
 (a) for Basket A using the formula

$$BR_t = \left( \frac{100 - QP}{100} \right) * \left( \sum_{s=1}^{s=9} br_{st} \right) + \sum_{s=10}^{s=13} br_{st}$$

Schedule 2 – Condition 21: Prices for postal services

and

(b) for Basket B using the formula

$$BR_t = \sum_{s=14}^{s=38} br_{st}$$

and

in the formulae used in paragraphs (a) and (b)

$QP$ , the quality percentage, is 5 percentage points,

$br_{st}$  is the revenue that would have been derived from a service,  $s$ , in Formula Year  $t$  if it had been calculated in accordance with paragraph 9, and

$s$  is the number of one of the Controlled Services, as set out in paragraph 38(a) of this Condition.

9. For any Controlled Service,  $s$ , in each of the Baskets A and B, the term  $br_{st}$  in paragraph 8 shall be calculated for any Formula Year,  $t$ , using the formula –

$$br_{st} = \sum_{pr=1}^{pr=n} (bp_{prt} * v_{prt})$$

$n$  is the number of Price Ranges for the service,

$v_{prt}$  is the number of postal packets conveyed in Formula Year  $t$  under each Price Range for the service, calculated as described in paragraph 10(a), and

$bp_{prt}$  is the basket price for each of the Price Ranges for the service for Formula Year  $t$  calculated –

in Formula Year  $t = I$  using the formula –

$$bp_{prt} = bp_{pr(t=0)} * \left( \frac{100 + P_0}{100} \right)$$

in which –

$P_0$  is 4.0 percentage points for Controlled Services in both Baskets A and B and

$bp_{pr(t=0)}$  is determined in the manner described in paragraph 10(c), and

Schedule 2 – Condition 21: Prices for postal services

in subsequent Formula Years using the formula –

$$bp_{prt} = bp_{prt-1} * \left( \frac{100 + RPI_t - X}{100} \right),$$

in which -

$RPI_t$  is the change in percentage points (whether of a positive or negative or zero value) between the average of the levels of the Retail Price Index published or determined with respect to each of the six months up to and including September in Formula Year  $t - 1$  and the average of those levels with respect to each of the six months up to and including September in the preceding year, and

$X$  is  $0.14$  percentage points for Controlled Services in Basket A and  $1.96$  percentage points for Controlled Services in Basket B.

10. The following provisions shall apply for the purpose of calculating terms used in paragraph 9.

(a)  $v_{prt}$  shall be calculated for each Price Range for each Controlled Service in each Formula Year after Formula Year  $t = 0$  using the formula –

$$v_{prt} = \left( \frac{er_{prt}}{rp_{prt}} \right)$$

in which –

$er_{prt}$  is the revenue earned from the conveyance of postal packets in that Formula Year in that Price Range for that service, and

$rp_{prt}$  is the representative price in that Formula Year for postal packets conveyed in that Price Range for that service established in the manner set out in paragraph (b).

(b)  $rp_{prt}$  is

(i) found, for any Price Range,  $pr$ , up to 1Kg for Controlled Services 1 to 4, 10 to 13, 25 to 36, and 38 in Formula Year  $t = 1$ , by the application of the formula –

Schedule 2 – Condition 21: Prices for postal services

$$rp_{prt} = \left( \frac{er_b + er_a}{v_b + v_a} \right)$$

in which –

$er_b$  and  $er_a$  are the revenues earned from the conveyance of postal packets at that Price Range in that Formula Year in the periods before and after the introduction of Pricing in Proportion respectively and in the case of  $er_b$  shall be calculated by the apportionment to the Price Range in a manner approved by the Auditor of revenues earned at different weight steps which were used for the determination of prices before the introduction of Pricing in Proportion, and

$v_b$  and  $v_a$  are the volumes of postal packets conveyed at that Price Range in that Formula Year in the periods before and after the introduction of Pricing in Proportion respectively and are found by the application of the formulae –

$$v_b = \left( \frac{er_b}{rp_b} \right) \text{ and } v_a = \left( \frac{er_a}{rp_a} \right)$$

in which –

$er_b$  and  $er_a$  are as defined above, and

$rp_b$  and  $rp_a$  are representative prices for the Price Ranges before and after the introduction of Pricing in Proportion respectively, as set out in tables published by the Licensee and approved by Postcomm in writing for the purpose of this paragraph but subject to modification on the recommendation of the Auditors, and

- (ii) for every other Price Range for those Controlled Services and for each Price Range for every other Controlled Service, a price that is fairly representative of the prices at which postal packets are conveyed in that Price Range in that Formula Year and shall be –
  - (aa) where the Modal Price for that Price Range for that service in that year has been Certified as fairly representative by the Auditors, the Modal Price, or
  - (bb) where the Auditors have not Certified that Modal Price for that Price Range for that service in that year such other price fairly representing the price for postal packets

## Schedule 2 – Condition 21: Prices for postal services

conveyed in that Price Range for that service in that year as Postcomm may reasonably determine on the basis of such financial and statistical advice as it may reasonably seek,

and if the Licensee changes the price or prices at any Price Range for any Controlled Service within a Formula Year, then paragraphs (aa) and (bb) shall be applied so as to give a value of  $rp_{prt}$  for the Formula Year by weighting values of  $rp_{prt}$  immediately before and after the change pro-rata to the reasonable estimates of the Licensee (or in the case of paragraph (bb) of Postcomm) of the numbers of postal packets conveyed by the Licensee within the Formula Year in that Price Range before and after the change in price or prices.

- (c)  $bp_{pr(t=0)}$  is –
- (i) for any Price Range,  $pr$ , up to 1Kg for Controlled Services 1 to 3, 10 to 12, 25 to 36, and 38, the price published for that Price Range for that Controlled Service in the Licensee's statement entitled "Pricing in Proportion – Indicative Prices – Amended November 2005", a copy of which has been placed on the register maintained by Postcomm pursuant to section 38 of the Act and for the same Price Ranges for Controlled Services 4 and 13 the prices published in that statement for Controlled Service 3, and
  - (ii) for every other Price Range for those Controlled Services and for each Price Range for every other Controlled Service, a price that is fairly representative of the prices at which postal packets were conveyed in that Price Range on 31 March in that Formula Year and shall be –
    - (aa) where there is a Modal Price for that Price Range for that service in that year and it has been Certified as fairly representative by the Auditors, that Modal Price, or
    - (bb) where there is not a Modal Price for that Price Range for that service on that date, such other price as the Auditors may have certified as being fairly representative of the price that prevailed for that Price Range for that service on that date, or
    - (cc) where no price is certified by the Auditors under paragraphs (aa) or (bb) above, such other price fairly representing the price for postal packets conveyed in that Price Range for that service on that date as Postcomm may reasonably determine on the basis of such financial and statistical advice as it may reasonably seek.
11. The correction factor  $K_t$  is calculated for each Basket for each Formula Year as follows –

Schedule 2 – Condition 21: Prices for postal services

- (a) in Formula Year  $t = 1$   
for Basket A using the formula –

$$K_t = K_{old} * \left( \frac{Arev}{Arev + Brev} \right)$$

and for Basket B using the formula –

$$K_t = K_{old} * \left( \frac{Brev}{Arev + Brev} \right)$$

- (b) and thereafter for each of Baskets A and B using the formula –

$$K_t = (ER_{t-1} - AR_{t-1}) * \left( \frac{100 + i_t}{100} \right) \text{ and}$$

- (c) in the formulae in paragraphs (a) and (b) –

$K_{old}$  is the value of  $K_t$  calculated in accordance with the Previous Control for Formula Year  $t = 1$  of this control,

$Arev$  is the revenue earned in Formula Year  $t = 0$  from the services in Basket A,

$Brev$  is the revenue earned in Formula Year  $t = 0$  from the services in Basket B,

$ER_{t-1}$  and  $AR_{t-1}$  are calculated in accordance with paragraphs 6 and 7 respectively for each of Baskets A and B for Formula Year  $t - 1$ , and

$i_t$  is a rate of interest in percentage points which for each Basket is the Base Rate on 30 September in Formula Year  $t - 1$  if  $ER_{t-1} < AR_{t-1}$  and is that Base Rate + 4 percentage points if  $ER_{t-1} > AR_{t-1}$ .

12. The customer service quality factor,  $C_t$ , in any Formula Year,  $t$ , is zero for Basket B and for Basket A is the amount found using the formula –

$$C_t = \left( \frac{QP}{100} \right) * f_t * \left( \sum_{s=1}^{s=9} br_{st} \right)$$

where –

$QP$  is 5 percentage points,

Schedule 2 – Condition 21: Prices for postal services

$br_{st}$  is the revenue that would have been derived from a Controlled Service,  $s$ , as defined in paragraph 38(a) if it had been calculated in accordance with paragraph 9,

$f_t$  is a performance fraction for Formula Year  $t$  found using the formula –

$$f_t = \sum_{m=1}^{m=8} \left( \frac{(5 - n * (tm_{mt} - pm_{mt})) * mw_m}{5} \right)$$

$tm_{mt}$  is the Licensee's standard in percentage points in Formula Year  $t$  for each of the quality measures,  $m$ , set out in the table below,

$pm_{mt}$  is the Licensee's performance in percentage points in Formula Year  $t$  against each of those quality measures,

$n$  is a normalising factor which is 1 for quality measures  $m = 1, 2, 3, 4$  and 5 and 10 for quality measures  $m = 6, 7$  and 8,

$mw_m$  is the weight applicable to each of those quality measures, as set out in the table below,

Quality of Service indicator	Measure			Standard (%) $tm$
	No $m$	Description	Weight $mw$	
First class stamped and metered transit time	1	% of items delivered by the next working day after posting	34%	93.0
Second class stamped and metered transit time	2	% of items delivered by the third working day after posting	18%	98.5
Standard parcel transit time	3	% of items delivered by the third working day after posting	1%	90.0

Schedule 2 – Condition 21: Prices for postal services

European International Delivery	4	% of items delivered by the third working day after posting	7%	85.0
Postcode area delivered floor	5	% of PCAs excluding HS, KW and ZE in which at least 90.5% of retail first class stamped and metered items are delivered by the next working day after posting	10%	100.0
Collection completion	6	% of collection points served each day	10%	99.9
Delivery completion	7	% of delivery routes completed each day	10%	99.9
Correct delivery	8	% of items delivered correctly	10%	99.5

provided that –

in any evaluation of  $(tm_{mt} - pm_{mt})$  for  $m = 1, 2, 3, 4$  and  $5$  in the formula for  $f_t$  above, –

if  $(tm_{mt} - pm_{mt}) < 1$  then the value of  $(tm_{mt} - pm_{mt})$  shall be taken to be  $0$ , and

if  $(tm_{mt} - pm_{mt}) > 5$  then the value of  $(tm_{mt} - pm_{mt})$  shall be taken to be  $5$ , and

in any evaluation of  $(tm_{mt} - pm_{mt})$  for  $m = 6, 7$  and  $8$  in the formula for  $f_t$  above, –

## Schedule 2 – Condition 21: Prices for postal services

if  $(tm_{mt} - pm_{mt}) < 0.1$  then the value of  $(tm_{mt} - pm_{mt})$  shall be taken to be 0, and

if  $(tm_{mt} - pm_{mt}) > 0.5$  then the value of  $(tm_{mt} - pm_{mt})$  shall be taken to be 0.5,

and provided further that, on the application of the Licensee on the basis that industrial action has prejudiced or may prejudice the ability of the Licensee to finance the activities authorised or required by this Licence, the value of  $f_t$  for any Formula Year,  $t$ , may be increased to such number not exceeding 1 as Postcomm may, by direction in writing, determine.

### Pension fund deficit change adjustment

13. The pension deficit pass-through,  $PP_t$ , shall be determined in accordance with the following provisions of this paragraph.

(a)  $PP_t$  shall be calculated for each Formula Year,  $t$ , using the formulae –  
for Basket A –

$$PP_t = GAPP_{t-1} * \left( \frac{RA_{t-1}}{RT_{t-1}} \right)$$

and for Basket B –

$$PP_t = GAPP_{t-1} * \left( \frac{RB_{t-1}}{RT_{t-1}} \right)$$

where –

$GAPP_t$  is a gross attributable pension fund deficit pass through factor for the Licensee's letters business calculated in accordance with paragraph (b),

$RA_{t-1}$  is the revenue earned from Controlled Services in Basket A in Formula Year  $t - 1$ ,

$RB_{t-1}$  is the revenue earned from Controlled Services in Basket B in Formula Year  $t - 1$  and

$RT_{t-1}$  is the revenue earned from all Controlled Services in Formula Year  $t - 1$

(b)  $GAPP_t$  the gross attributable pension deficit pass through factor for the Licensee's letters business shall be calculated for each Formula Year,  $t$ , using the formula –

Schedule 2 – Condition 21: Prices for postal services

$$GAPP_t = GPP_t * 0.80$$

Where –

$GPP_t$  is a gross pension fund deficit pass through factor for the Funds calculated in accordance with paragraph (c),

and the fraction  $0.80$  is the number of employees and former employees of the Licensee's letters business entitled to deferred pensions and pensions from the Funds expressed as a proportion of the number of all persons entitled to deferred pensions and pensions from the Funds,

- (c)  $GPP_t$  the gross pension fund deficit pass through factor for each Formula Year,  $t$ , shall be zero in Formula Year  $t = 0$  and in subsequent Formula Years shall be found by the application of the following conditions and formulae –

if  $(IC + TGL_{t-1}) > 0$ ,

then  $GPP_t = 0$

if  $IC \leq (-TGL_{t-1}) \leq \left(\frac{FAL_{t-1}}{10}\right)$ ,

then  $GPP_t = -(IC + TGL_{t-1}) / Y$

otherwise

$$GPP_t = \left(\left(\frac{FAL_{t-1}}{10}\right) - IC\right) / Y - \left(\left(\frac{FAL_{t-1}}{10}\right) + TGL_{t-1}\right) / Z$$

where –

$FAL_{t-1}$  is the present value of the projected benefit obligation of the Funds on the last day of the financial year ending in March in Formula Year  $t - 1$  as recommended by the Actuary appointed by the Licensee for the purpose of International Accounting Standard 19 and set out in the Licensee's published audited accounts,

$IC$  is an inner corridor within which risks associated with the volatility of the liabilities of the Funds lie with the Licensee and is *£1.3 billion* or such lower sum which is not less than *£0.5 billion* as Postcomm after consultation may by direction in writing determine on the application of the Licensee on the basis of action by the Trustees of the Funds funded by the Licensee substantially to reduce such risks,

## Schedule 2 – Condition 21: Prices for postal services

$TGL_t$  is the accumulated unrecognised actuarial gains or losses of the Funds incurred up to the end of Formula Year  $t$  and is calculated using the formula –

$$TGL_t = TGL_{t-1} + AGL_t + GPP_t$$

in which –

in Formula Year  $t = 0$  the value of  $TGL_{t-1}$  shall be a gain of £0.7 billion being the difference between the deficit in the Funds assumed by Postcomm for the purpose of the determination of  $P_0$  and  $X$  in paragraph 9 of the condition (£4.6 billion) and the deficit in the Funds shown in the Licensee's published audited accounts for the last day of the financial year ending in March 2005 (£3.9 billion),

$AGL_t$  is the actuarial gain or loss for the Funds (such that a gain is positive and a loss is negative) arising in Formula Year  $t$  as advised by the Actuary appointed by the Licensee for the purpose of International Accounting Standard 19 and set out in the Licensee's published audited accounts but excluding –

- (i) in Formula Year  $t = 1$ , any amount in total in excess of £0.7 billion which is attributable to updated assumptions, as determined by the Actuary appointed by the Licensee for the purpose of Generally Accepted Accounting Principles relating to pensions and set out in the Licensee's published audited accounts at 26 March 2006, relating to longevity or other demographic factors for so long as those assumptions have not been verified in a valuation obtained for the purpose of section 224 of the Pensions Act 2004 which is to be completed on or before 31 December 2006, and
- (ii) in subsequent Formula Years any subsequent amounts which are attributable to further updated assumptions, as recommended by the Actuary appointed by the Licensee for the purpose of Generally Accepted Accounting Principles relating to pensions and set out in the Licensee's published audited accounts in the previous financial year, relating to longevity or other demographic factors for so long as those assumptions have not been verified in a valuation obtained for the purpose of section 224 of the Pensions Act 2004,

$Y$  is the number of years over which a first element of a shortfall in the Funds which may be recovered through  $PP_t$  and is 15, and

## Schedule 2 – Condition 21: Prices for postal services

$Z$  is the number of years over which a further element of a shortfall in the Funds which may be recovered through  $PP_t$  and is  $10$ ,

- (d) In any Formula Year,  $t$ , in relation to which an amount in respect of and not less than  $PP_t$  has not been paid into the Funds by the Licensee before the end of the financial year ending in March in that Formula Year or such later date as may be approved in writing by Postcomm, then  $PP_t$  shall be nil.

### Adjustment for volume growth or decline

14. The volume growth or decline factor,  $G_t$ , shall be determined in accordance with the following provisions of this paragraph.

- (a)  $G_t$  shall be calculated for each Formula Year,  $t$ , using the formulae –  
for Basket A –

$$G_t = GG_t * \left( \frac{RA_{t-1}}{RGT_{t-1}} \right)$$

and for Basket B –

$$G_t = GG_t * \left( \frac{RB_{t-1}}{RGT_{t-1}} \right)$$

where –

$GG_t$  is a gross volume growth or decline factor calculated in accordance with paragraph (b),

$RA_{t-1}$  is the revenue earned from Controlled Services in Basket A in Formula Year  $t - 1$ ,

$RB_{t-1}$  is the revenue earned from Controlled Services in Basket B in Formula Year  $t - 1$ , and

$RGT_{t-1}$  is the total revenue earned by the Licensee in Formula Year  $t - 1$  from the conveyance of postal packets delivered through the Licensee's delivery offices excluding postal packets delivered using Controlled Services 6 to 9 and excluding the Licensee's Door to Door service and Inward International Services.

- (b)  $GG_t$  shall be zero in Formula Year  $t = 1$  and thereafter shall be calculated for each Formula Year,  $t$ , using the formulae –

Schedule 2 – Condition 21: Prices for postal services

$$\text{if } \left( \frac{IAV_{t-1} - IFV_{t-1}}{IFV_{t-1}} \right) * 100 < (-D)$$

then

$$GG_t = AV_{t-1} * \left( \left( \frac{IFV_{t-1}}{IAV_{t-1}} \right) * \left( \frac{100 - D}{100} \right) - 1 \right) * AR_{t-1} * R$$

$$\text{otherwise, if } (-D) \leq \left( \frac{IAV_{t-1} - IFV_{t-1}}{IFV_{t-1}} \right) * 100 \leq D$$

then  $GG_t = 0$

$$\text{and if } \left( \frac{IAV_{t-1} - IFV_{t-1}}{IFV_{t-1}} \right) * 100 > D$$

then

$$GG_t = AV_{t-1} * \left( \left( \frac{IFV_{t-1}}{IAV_{t-1}} \right) * \left( \frac{100 + D}{100} \right) - 1 \right) * AR_{t-1} * R$$

where –

$IFV_t$  is an index of the forecast for the volume of postal packets delivered through the Licensee's delivery offices in Formula Year  $t$  excluding postal packets delivered using Controlled Services 6 to 9 and excluding the Licensee's Door to Door service and Inward International Services as set out in the table below,

Schedule 2 – Condition 21: Prices for postal services

Formula Year, $t$	Index Forecast for Volume of Postal packets, $IFV_t$
-1	100.00
0	101.14
1	100.21
2	103.40
3	103.14
4	103.26

$IAV_t$  is an index calculated for each Formula Year,  $t$ , using the formula,

$$IAV_t = \left( \frac{AV_t}{AV_{(t=-1)}} \right) * 100,$$

where  $AV_t$  and  $AV_{(t=-1)}$  are the numbers of postal packets delivered through the Licensee's delivery offices in Formula Years  $t$  and  $t = -1$  respectively, excluding postal packets delivered using Controlled Services 6 to 9 and excluding the Licensee's Door to Door service and Inward International Services,

$D$  is a dead band and is 2 percentage points,

$AR_{t-1}$  is the average unit access revenue for Formula Year  $t - 1$  found by dividing the aggregate revenue earned by the Licensee in that Formula Year from the provision of Controlled Services 39 to 45 by the number of postal packets conveyed by those Controlled Services in that Formula Year,

$R$  is cost to volume ratio and is 0.4, and

numbers of postal packets shall be calculated for the purpose of this paragraph on a revenue equated basis.

**Tariff rebalancing and Price Range price variation for Controlled Services**

15. The obligations in paragraph 16 shall apply in addition to the obligations in paragraph 5 in each Formula Year after Formula Year  $t = 0$ .
16. Except as Postcomm on the application of the Licensee may by direction in writing approve otherwise, the Licensee shall take all reasonable steps to ensure that in each Formula Year after Formula Year  $t = 0$ , in relation to each of the Controlled Services in Basket A and to each of the Controlled Services in Basket B, the following conditions are met –

Schedule 2 – Condition 21: Prices for postal services

- (a) in Formula Year  $t = 1$   
for the lowest Price Range for Controlled Services 3, 4, 11 and 13

$$p_t - p_{t=0} \leq 2 \text{pence}$$

and, for all other Price Ranges for all other Controlled Services,

$$p_t \leq p_{t=0} * \left( \frac{100 + P_0 + 3}{100} \right),$$

with both conditions being applicable separately both before and after the introduction of Pricing in Proportion and where –

$p_t$  is the price for the conveyance within the Price Range for such service at any time in Formula Year  $t$ , and may have two values, one applicable before, and the other applicable after, the introduction of Pricing in Proportion,

$p_{t=0}$  is the price for the same conveyance on 31 March in Formula Year  $t = 0$ , provided that if there is a price for the same conveyance published in the Licensee's statement entitled "Pricing in Proportion – Indicative Prices – Amended November 2005", then, from the introduction of Pricing in Proportion,  $p_{t=0}$  shall be that price,

$P_0$  is 4.0 percentage points, and

- (b) in Formula Year  $t = 2$  for all Price Ranges for all Controlled Services

and 
$$\sum_{t-1}^t \Delta p_t \% \leq (RPI_{t-1} + RPI_t + P_0 - X + 6 - c_t + pp_t + g_t)$$

- (c) in subsequent Formula Years, for all Price Ranges for all Controlled Services

$$\sum_{t-1}^t \Delta p_t \% \leq (RPI_{t-1} + RPI_t - 2X + 6 - c_t + c_{t-2} + pp_t - pp_{t-2} + g_t - g_{t-2})$$

and in paragraphs (b) and (c) –

$RPI_t$  and  $RPI_{t-1}$  are defined as in paragraph 9,

Schedule 2 – Condition 21: Prices for postal services

$\Delta p_t \%$  is the change in price for the conveyance in Formula Year  $t$  as compared with Formula Year  $t - 1$  in percentage points and is found by the application of the formula –

$$\Delta p_t \% = \left( \frac{p_t - p_{t-1}}{p_{t-1}} \right) * 100$$

in which –

$p_t$  and  $p_{t-1}$  are as provided in paragraph (a) for the period after the introduction of Pricing in Proportion,

$X$  is  $0.14$  percentage points for Controlled Services in Basket A and  $1.96$  percentage points for Controlled Services in Basket B, and

$c_t$ , and  $c_{t-2}$  for Controlled Services  $s = 1$  to  $s = 9$  inclusive are found using the formula –

$$c_t = \left( 5 - \left( \frac{C_{(t-1)} * 100}{\sum_{s=1}^{s=9} br_{s(t-1)}} \right) \right)$$

in which –

$C_{(t-1)}$  is calculated in accordance with paragraph 12 and for all other Controlled Services are zero.

$pp_t$ , and  $pp_{t-2}$  for Controlled Services  $s = 1$  to  $s = 38$  inclusive are found using the formulae –

for Controlled Services in Basket A

$$pp_t = \left( \frac{PP_t}{\sum_{s=1}^{s=13} br_{s(t-1)}} \right) * 100$$

in which –

Schedule 2 – Condition 21: Prices for postal services

$PP_t$  is  $PP_t$  calculated in accordance with paragraph 13(a) for Basket A, and

and for Controlled Services in Basket B

$$pp_t = \left( \frac{PP_t}{\sum_{s=14}^{s=38} br_{s(t-1)}} \right) * 100$$

in which –

$PP_t$  is  $PP_t$  calculated in accordance with paragraph 13(a) for Basket B, and

$g_t$  and  $g_{t-2}$  for Controlled Services  $s = 1$  to  $s = 38$  inclusive are found using the formulae –

for Controlled Services in Basket A

$$g_t = \left( \frac{G_t}{\sum_{s=1}^{s=5} br_{s(t-1)} + \sum_{s=10}^{s=13} br_{s(t-1)}} \right) * 100$$

in which –

$G_t$  is  $G_t$  calculated in accordance with paragraph 14(a) for Basket A, and

and for Controlled Services in Basket B

$$g_t = \left( \frac{G_t}{\sum_{s=14}^{s=38} br_{s(t-1)}} \right) * 100$$

where

$G_t$  is  $G_t$  calculated in accordance with paragraph 14(a) for Basket B, and

in each of the five formulae immediately above,  $br_{s(t-1)}$  is the revenue that would have been derived from a Controlled Service,

## Schedule 2 – Condition 21: Prices for postal services

$s$  in Formula Year  $t - 1$  if it had been calculated in accordance with paragraph 9.

### Geographic price uniformity

17. Subject to paragraphs 18 and 19, in relation to each of the Controlled Services that are not required by Condition 2 to be provided as universal services (except Access Services priced on a zonal basis and provided under contracts entered into on or before 1 April 2006 and any Access Service subsequently provided under a contract having all the terms referred to in paragraphs (i) to (xii) of paragraph 2(b) of Condition 9 in common with such a contract) the tariffs under which the services are offered shall be geographically uniform.
18. The Licensee may apply to Postcomm in writing at any time for approval to offer any of the Controlled Services on a tariff under which prices are not geographically uniform and where Postcomm has confirmed by notice in writing that it has been provided by the Licensee with sufficient information of good quality to consider the application then paragraph 19 shall apply.
19. Where this paragraph applies, if Postcomm has not, after consultation with the Council and with such other persons as it sees fit, and after consideration of such further information (if any) as it may require to be furnished, within nine months of the date of giving notice under paragraph 18, by determination in writing indicated that it is not satisfied that the change sought by the Licensee will –
  - (a) be revenue neutral,
  - (b) lead to prices for the service being more reflective of costs than they would be if the existing geographically uniform tariff was retained,
  - (c) be introduced in a manner that avoids unreasonable changes for users of the service, and
  - (d) not lead to a circumvention of paragraph 1, and
  - (e) not lead to a failure to provide services priced in a manner referred to in the Directive,then the Licensee may change the tariff structure for the service to one in which prices are not geographically uniform in the manner proposed in its application.

### Change to price basis for Controlled Services

20. Without prejudice to Pricing in Proportion which may be introduced on or after 21 August 2006 subject to compliance by the Licensee with such direction in respect of the provision of information to users of postal services as may be made in writing by Postcomm, the Licensee may apply to Postcomm in writing at any time for approval for a change to the criteria by which the price or prices for a Controlled Service are determined and where Postcomm has confirmed by notice in writing that it has been provided by the Licensee with sufficient information of good quality to consider the application then paragraph 21 shall apply.

## Schedule 2 – Condition 21: Prices for postal services

21. Where this paragraph applies, if Postcomm has not, after consultation with the Council and with such other persons as it sees fit, and after consideration of such further information (if any) as it may require to be furnished, within nine months of the date of giving notice under paragraph 20, by direction in writing indicated that it is not satisfied that the change sought by the Licensee will –
- be revenue neutral,
  - lead to prices for the service being more reflective of costs than they would be if the existing pricing basis was retained,
  - be introduced in a manner that avoids unreasonable changes for users of the service,
  - not lead to a circumvention of paragraph 1, and
  - not lead to a failure to provide services priced in a manner referred to in the Directive,
- then the Licensee may change the pricing criteria for the service in the manner approved in the direction.
22. Where the criteria by which the price or prices for a Controlled Service are determined are changed pursuant to paragraph 21, this Condition shall apply with such variations as may be specified by Postcomm by direction in writing, including, without prejudice to the generality of this paragraph, –
- variations to apply paragraph 5 to the service so that, notwithstanding the provisions of paragraph 9, the term  $br_{st}$  shall be calculated with reference to that service in such manner as may be provided in the direction, and
  - variations to the tariff rebalancing provisions set out in paragraphs 15 and 16 so that, as far as possible in the circumstances, they may apply for the benefit of users of postal services as effectively after any change made pursuant to paragraph 21 as they applied before that change.

### Unpriced services

23. Except as Postcomm on the application of the Licensee may by direction in writing approve otherwise, the Licensee shall provide free of charge the services named in the table below.

Return to sender as part of a Regulated Service	Poste restante
Petitions to Parliament	Petitions to Her Majesty the Queen
Certificate of Posting	

### Miscellaneous services

24. Except as Postcomm on the application of the Licensee may by direction in writing approve otherwise, the Licensee shall take all reasonable steps to ensure that in each Formula Year after Formula Year  $t = 0$  it sets prices for the Miscellaneous Services so as to meet the conditions –

## Schedule 2 – Condition 21: Prices for postal services

in Formula Year  $t = 1$

$$p_t \leq p_{t=0} * \left( \frac{100 + P_0}{100} \right)$$

and,

$$p_t \leq p_{t-1} * \left( \frac{100 + RPI_t - X}{100} \right)$$

where –

$p_t$  represents any price for any service, or any amount of any service, that is a Miscellaneous Service in any Formula Year  $t$ ,

$p_{t-1}$  and  $p_{t=0}$  represent the equivalent price on 31 March in Formula Years  $t - 1$  and  $t = 0$  respectively,

$P_0$  is 4.0 percentage points,

$RPI_t$  is as defined in paragraph 9, and

$X$  is 0.14 percentage points.

### Relaxation of condition

25. If –

- (a) the Licensee applies to Postcomm for a direction under this paragraph on the basis of –
  - (i) a fundamental change of circumstances outside the control of the Licensee which adversely affects the underlying economic performance of the Licensee to a significant extent, or
  - (ii) any other significant risk to the ability of the Licensee to –
    - (aa) meet its obligations under Condition 2 of this Licence, or
    - (bb) finance the activities authorised or required to be provided by this Licence, and
- (b) the Licensee has provided a copy of its application to the Council, and
- (c) the Licensee, after being afforded an opportunity to make representations, has satisfied Postcomm that –
  - (i) in the case of an application made as provided in paragraph (a)(i), the change of circumstances described by the Licensee does adversely affect the underlying economic performance of the Licensee to a significant extent, or
  - (ii) in the case of an application made as provided in paragraph (a)(ii), the Licensee –

## Schedule 2 – Condition 21: Prices for postal services

- (aa) is an efficient operator, or
    - (bb) is using all reasonable endeavours to become an efficient operator,
  - and at least one of the risks referred to in paragraph (a)(ii) is significant, and
  - (d) Postcomm after consultation with the Council and with such other persons as it sees fit has issued a direction in writing in response to the application by the Licensee,
- then, to the extent and for so long as may be specified in that direction, this Condition shall not apply.
26. Where the Licensee has applied to Postcomm for a direction that this Condition shall no longer apply to –
- (a) one of the Controlled Services listed in Paragraph 38(a), or
  - (b) to that the supply of that Controlled Service to a particular class of users on the basis of competition in the provision of the service in question being sufficiently developed to protect the interests of users or of that class of users and where Postcomm has confirmed by notice in writing that it has been provided by the Licensee with sufficient information of good quality to consider the application then paragraph 27 shall apply.
27. Where this paragraph applies, if –
- (a) there is not outstanding a notice in writing from Postcomm to the Licensee to the effect that the number of applications made under paragraph 26 is such that they cannot all be dealt within the timescale referred to in paragraph (b), and
  - (b) Postcomm has not, after consultation with the Council and with such other persons as it sees fit, and after consideration of such further information (if any) as it may require to be furnished, and within five months of the date of giving notice under paragraph 26, by direction in writing stated that it is of the opinion that competition in the provision of the Controlled Service in question is not sufficiently developed to protect the interests of consumers or of the particular class of users referred to in the application of the Licensee,
- then this Licence shall apply from the first day of the next Formula Year as if the price of the Controlled Services in question or the price at which that Controlled Service is supplied to that class of users is not restricted by this Condition.

### **Advance notice of schedules of prices and close of year information**

28. The Licensee shall, in respect of Controlled Services numbered 1 to 38, not later than 31 December and in respect of Controlled Services numbered 39 to 45 not later than 14 January, in each Formula Year after Formula Year  $t = 0$ ,
- (a) submit to Postcomm and to the Council schedules showing all the prices for all the Price Ranges or other pricing criteria for each of those

## Schedule 2 – Condition 21: Prices for postal services

Controlled Services proposed to be charged or applied by the Licensee from the commencement of the following Formula Year,  $t + I$ ,

- (b) publish the schedules submitted pursuant to paragraph (a) in a reasonably prominent and accessible manner on its website, and
- (c) provide to Postcomm, with each schedule submitted pursuant to paragraph (a), a statement showing its estimates for Formula Year  $t + I$  for each of Baskets A and B of each of the parameters –  
 $ER$ ,  $BR$ ,  $PP$   
 $K$ ,  $C$ , and  $G$

29. Except as Postcomm on the application of the Licensee may by direction approve otherwise, the Licensee shall in each Formula Year  $t$  occurring after Formula Year  $t = 0$  offer the Controlled Services in Baskets A and B to users at the prices shown in, or determined in accordance with, the schedule submitted in accordance with paragraph 28 in year Formula Year  $t - I$ , subject to such changes as may result from variations permitted by paragraphs 15 to 22.

30. The Licensee shall, not later than 31 July after the end of each Formula Year after Formula Year  $t = I$ , provide to Postcomm a statement showing its estimates for that year for each of Baskets A and B for each of the parameters –

$ER$ ,  $BR$ ,  $PP$   
 $K$ ,  $C$ ,  $G$   
 $rp_{st}$ , and  $rp_{yt}$ .

31. The Licensee shall cause the statements and information referred to in paragraphs 28(c) and 30 to be reviewed by Auditors, who shall be required to report on whether, in their opinion,

- (a) in relation to paragraph 28(c), those statements contain forecasts of the parameters referred to in them that have been prepared in a reasonable and consistent manner that can be expected to give forecasts that are not misleading, and on the basis of information that has been obtained, recorded and processed in a competent manner, and
- (b) in relation to paragraph 30, those statements contain estimates of the parameters referred to in them that have been prepared in a reasonable and consistent manner that can be expected to give estimates that are not misleading, on the basis of information that has been obtained, recorded, and processed in a manner that complies with Condition 15 of this Licence,

and the Licensee shall furnish Postcomm with a copy of each such report as soon as possible after receiving it.

## Schedule 2 – Condition 21: Prices for postal services

### **Disapplication and termination of condition**

32. This Condition shall apply so long as this Licence continues in force but shall cease to have effect if –
  - (a) the Licensee delivers a Disapplication Request to Postcomm and Postcomm agrees in writing to the Disapplication Request, or
  - (b) its application is terminated by notice given by the Licensee in accordance with either paragraph 36 or paragraph 37 below.
33. Any Disapplication Request shall be in writing, addressed to Postcomm, and shall state the Disapplication Date which shall be not earlier than the date occurring 18 months after the date upon which the Disapplication Request is delivered to Postcomm.
34. The Licensee shall not deliver any Disapplication Request to Postcomm before 30th September 2008.
35. The Licensee may at any time withdraw a Disapplication Request.
36. If –
  - (a) Postcomm has not made a reference to the Competition Commission under section 15 of the Act relating to the modification of this Condition before the beginning of the period of 12 months which will end with the Disapplication Date, and
  - (b) the Licensee has not withdrawn the Disapplication Request,the Licensee may deliver written notice to Postcomm terminating the application of this Condition with effect from the Disapplication Date or a later date save that no such notice may take effect before the end of a period of 12 months from the date of delivery of that notice to Postcomm.
37. If the Competition Commission makes a report on a reference made by Postcomm relating to the modification of this Condition after a Disapplication Request has been made and such report does not include a conclusion that the cessation of this Condition, in whole or in part, operates, or may be expected to operate, against the public interest, the Licensee may within one month after the publication of the report by Postcomm deliver to Postcomm written notice terminating the application of the Condition with effect from the Disapplication Date or a later date.

### **Interpretation**

38. In this Condition –
  - (a) the terms in the left hand column in the table below have the meanings set out adjacent to them in the right hand column in the table –

Schedule 2 – Condition 21: Prices for postal services

Access Reference Price	means the price at a Price Point for the conveyance of postal packets by a Controlled Service under the tariff applicable within that service which makes the greatest contribution to total revenue for the service in the Formula Year in which the price is being determined reduced by the maximum amount of all the discounts available at the time of determination irrespective of any qualification conditions for such discounts;	
Access Services	means the Controlled Services numbered 39 to 45;	
Auditors	means competent independent auditors appointed by the Licensee with the approval of Postcomm;	
Base Rate	is the base rate of interest offered by Barclays Bank plc, or, if Barclays Bank plc ceases to publish a base rate, such other rate of interest as Postcomm, after consultation with the Licensee, may reasonably determine;	
Basket A	means the Controlled Services numbered 1 to 13;	
Basket B	means the Controlled Services numbered 14 to 38;	
calculated on a revenue equated basis	means calculated using the method for establishing volumes of letters or postal packets set out in paragraphs 8 and 9 of this Condition and cognate terms shall be construed accordingly;	
Certified	means certified as reasonably calculated, on the basis of professional financial and statistical analysis having due regard whenever possible to revenues invoiced by the Licensee by reference to stated prices and volumes and by reference to subcategories of the Controlled Services where, in the opinion of the Auditors, such reference is appropriate;	
Controlled Services	The Controlled Services and the numbers by which they are referred to in this Condition are the services referred to below and services substantially similar to those services–	
	No.	Service
	1	First Class mail not conveyed by other services listed below;

Schedule 2 – Condition 21: Prices for postal services

	2	First Class Metered
	3	Second Class mail not conveyed by other services listed below;
	4	Second Class Metered
	5	Standard Parcel;
	6	Airmail Europe;
	7	Airmail World Zone 1;
	8	Airmail World Zone 2;
	9	Surface Mail;
	10	Response Services 1 <sup>st</sup> Class;
	11	Response Services 2 <sup>nd</sup> Class;
	12	First Class Postage Paid Impression (PPI)
	13	Second Class Postage Paid Impression (PPI)
	14	Special Delivery (Next Day) other than when sold to users having an account with the Licensee buying the service using their account;
	15	Cleanmail OCR 1 <sup>st</sup> Class;
	16	Cleanmail CBC 1 <sup>st</sup> Class;
	17	Cleanmail OCR 2 <sup>nd</sup> Class;
	18	Cleanmail CBC 2 <sup>nd</sup> Class;
	19	Mailsort 120 OCR 1 <sup>st</sup> Class;
	20	Mailsort 120 CBC 1 <sup>st</sup> Class;
	21	Mailsort 120 OCR 2 <sup>nd</sup> Class;

Schedule 2 – Condition 21: Prices for postal services

	22	Mailsort 120 CBC 2 <sup>nd</sup> Class;
	23	Mailsort 700 1 <sup>st</sup> Class;
	24	Mailsort 700 2 <sup>nd</sup> Class;
	25	Mailsort 1400 1 <sup>st</sup> Class;
	26	Mailsort 1400 Residues 1 <sup>st</sup> Class;
	27	Mailsort 1400 2 <sup>nd</sup> Class;
	28	Mailsort 1400 Residues 2 <sup>nd</sup> Class;
	29	Presstream 1 <sup>st</sup> Class;
	30	Presstream 2 <sup>nd</sup> Class;
	31	Packetpost 1 <sup>st</sup> Class;
	32	Packetpost 2 <sup>nd</sup> Class;
	33	Packetsort 8 1 <sup>st</sup> Class (including Flatsort 8 1 <sup>st</sup> Class);
	34	Packetsort 8 2 <sup>nd</sup> Class (including Flatsort 8 2 <sup>nd</sup> Class);
	35	Walksort 1 <sup>st</sup> Class;
	36	Walksort 2 <sup>nd</sup> Class;
	37	Mailsort 700 3;
	38	Mailsort 1400 3 (including Flatsort 1400 3);
	39	Access 1400;
	40	Access 120 Letter;
	41	Access 120 Flat & Packet;
	42	Access 120 OCR;

Schedule 2 – Condition 21: Prices for postal services

	43	Access 120 CBC;
	44	Access 700 CBC
	45	Access Walksort;
	<p>and any question as to whether or not a service is substantially similar to a service referred to above shall be determined by such direction as may be issued by Postcomm, and</p> <p>for the purposes of Condition 15 and of paragraphs 6 to 12 of this Condition, Controlled Service 26 shall be regarded as the same service as Controlled Service 25 and Controlled Service 28 shall be regarded as the same service as Controlled Service 27;</p>	
Conveyance	has the meaning given in section 6(6) of the Act;	
Disapplication Date	the date specified in a Disapplication Request from which the Licensee wishes Postcomm to agree that this Condition shall cease to have effect;	
Disapplication Request	a written request delivered in accordance with paragraph 32 of this Condition;	
Door to Door service	means the Licensee's service for the conveyance and delivery to every address in an area selected by the Licensee's customer of unaddressed letters weighing up to 100 grams;	

Schedule 2 – Condition 21: Prices for postal services

Formula Year	a year ending on any 31 <sup>st</sup> March during or immediately before the currency of this Condition and for the purpose of this Condition the Formula Years are numbered as follows –	
	<i>t</i>	Year to 31 March
	-1	2005
	0	2006
	1	2007
	2	2008
	3	2009
	4	2010
	with 1 added for each subsequent year;	
the Funds	means the pension funds known as the Royal Mail Pension Plan for the payment of pensions and deferred pensions to former employees and employees of the Licensee;	
Miscellaneous Services	the Miscellaneous Services are –	
	Proof of delivery	Private Boxes Transfer to PO Box 12 Months
	Recorded delivery	Response services Licence fees
	Redirection services	Ministerial Pouch services;
Modal Price	means, in any Formula Year, the price, after deduction of discounts, charged by the Licensee for the conveyance of postal packets at the mid weight for a Price Range for a Controlled Service under the tariff applicable within that service which made the greatest contribution to total revenue for the service in Formula Year $t = 0$ ;	
Previous Control	this Condition 21 as it applied from 1 April 2003 until 31 March 2006;	
Price Point	means any weight expressed in whole grams by reference to which a price for the conveyance of postal packets for a service may be determined and where a tariff provides for prices to depend also on the format of a postal packet and the same weight gives rise to different prices under different formats that weight shall comprise a distinct Price Point under each format;	
Price Range	means a weight range or a format and weight	

Schedule 2 – Condition 21: Prices for postal services

	combination by reference to which a price for a Controlled Service is determined being from 1 April 2006 a weight range or a format and weight combination set out in Table 1 of the tables published by the Licensee and approved by Postcomm for the purpose of paragraph 10(b)(i);
Pricing in Proportion	the revised structure for the pricing of certain of the Licensee's Controlled Services to be introduced in August 2006 and described in the statement of the Licensee referred to in paragraph 10(c)(i);
Regulated Services	<p>the Regulated Services comprise –</p> <ul style="list-style-type: none"> <li>(a) all the Controlled Services,</li> <li>(b) all the unpriced services listed in paragraph 23,</li> <li>(c) the Miscellaneous Services, and</li> <li>(d) Business Collections;</li> </ul> <p>and all such services shall be more fully defined by reference to such descriptions of them as are contained in a table of definitions approved by Postcomm with the agreement of the Licensee for the purpose of this Condition and of Condition 4;</p>
Retail Price Index	the General Index of Retail Prices (for all items) published by the Office of National Statistics (or by any body to which the functions of that Office may be transferred); and if that index is not published for any month means any substituted index or index figures published by that Office for that month; and, in the absence of any substituted index, such other index as Postcomm may, after consultation with the Licensee, determine;
Set of Price Determining Parameters	any set of values for factors that determine the charge for having postal packets conveyed using a Controlled Service, which may include, but shall not be limited to, the weight of postal packets, the number of postal packets presented to the Licensee, the degree of sortation and the size or format of the postal packets; and
Zone	means one of the Zones numbered 1 to 5 adopted by the Licensee as at 31 March 2006 for the purpose of setting prices on a basis that is not geographically uniform and “zonal” and other cognate terms shall be construed accordingly;

- (b) unless the context requires otherwise and reference in this Condition to volumes of letters or other postal packets conveyed by the Licensee is a reference to those volumes calculated on a revenue equated basis;

Schedule 2 – Condition 21: Prices for postal services

- (c) the mathematical and other notational symbols set out in the left hand column in the table below are intended to be applied in the manner set out in the right hand column of the table –

Symbol	Meaning and application
$\Sigma$	The symbol sigma indicates that a range of values for a variable parameter should be summed and $\sum_{i=1}^{i=n} X_i$ indicates that where a parameter $X$ has a number of different values dependent on the value of another parameter, $i$ , which occur on $n$ different occasions, then the values of $X$ for all $n$ different values of $i$ are to be summed;
*	Indicates that the parameters occurring on either side of it in a formula should be multiplied together;
/	Indicates that the parameter occurring to the left of it in a formula should be divided by the parameter to the right of it;
$\Delta$	Delta is used to indicate the change that occurs to the value of a parameter when moving from one set of circumstances or time to another;
<	When occurring in an expression such as $a < b$ means that the parameter represented by the letter $a$ should meet the condition that it is less than the parameter represented by the letter $b$ ;
>	When occurring in an expression such as $a > b$ means that the parameter represented by the letter $a$ should meet the condition that it is greater than the parameter represented by the letter $b$ ;
$\leq$	When occurring in an expression such as $a \leq b$ means that the parameter represented by the letter $a$ should meet the condition that it is less than or equal to the parameter represented by the letter $b$ ;

Schedule 2 – Condition 21: Prices for postal services

$\geq$	When occurring in an expression such as $a \geq b$ means that the parameter represented by the letter $a$ should meet the condition that it is greater than or equal to the parameter represented by the letter $b$ .
--------	---

**Condition 22: Access to the Postcode Address File<sup>1</sup>**

1. For as long as the Licensee is the owner of or has control over the Postcode Address File (in this condition referred to as “the File”), the Licensee shall –
  - (a) maintain the File in an electronic format that can be read by computer software packages that are commonly available, and
  - (b) furnish a copy of the File to any person who may request it upon payment of a reasonable charge.
2. The Licensee may not impose as a term or condition (however expressed) of furnishing a copy of the File (or of any revision or update to it) any term or condition other than reasonable restrictions to ensure –
  - (a) that such intellectual property rights in the File as are vested in the Licensee are protected,
  - (b) that the File and any updates to it are utilised in an appropriate manner to encourage correct addressing, and
  - (c) that such reasonable charges referred to in paragraph 1 are paid.
3. Before the expiry of six months from the commencement of this Licence the Licensee shall –
  - (a) discuss and endeavour to agree with the Council, and
  - (b) establish and submit to Postcomm in writing, a code of practice for modifying and updating the File, to be known as the PAF Code of Practice.
4. The PAF Code of Practice shall –
  - (a) set out procedures for ensuring that any persons or classes of persons named in the File that are likely to be affected by proposals to change the File (other than to make routine additions and deletions to it) are given –
    - (i) reasonable advance notice of such proposals, and
    - (ii) an opportunity to make representations and objections in respect of such proposals,
  - (b) set out procedures for ensuring that persons likely to be affected by changes in the File (other than routine additions and deletions to it) are given adequate notice of those changes,
  - (c) set out procedures through which the Licensee may be made aware of and reasonably respond to the needs and views of users of the File in relation to it, and
  - (d) shall be in such terms as may be agreed between the Licensee and the Council, provided that if –

---

<sup>1</sup> Renumbered 25 May 2006 (formerly Condition 20).

## Schedule 2 – Condition 22: Access to the Postcode Address File

- (i) there has been no such agreement between the Licensee and the Council within the period of six months from the commencement of this Licence, and
  - (ii) Postcomm has given the Licensee not less than 28 days' notice in writing that it proposes to make a determination as to the terms of the PAF Code of Practice, and
  - (iii) Postcomm has given to the Licensee the opportunity in that period of not less than 28 days to make representations to it in relation to its proposal to make such a determination, then
- the PAF Code of Practice shall be in such terms as may be determined in writing by Postcomm.
5. The Licensee shall –
- (a) publish the PAF Code of Practice in such manner as to ensure reasonable publicity for it,
  - (b) at all times observe the provisions of the PAF Code of Practice, and
  - (c) not alter the PAF Code of Practice other than with the approval in writing of Postcomm.

### **SCHEDULE 3 REVOCATION OF LICENCE**

1. This Licence may be revoked at any time by Postcomm by not less than the requisite period of notice in writing given to the Licensee –
  - (a) if the Licensee in writing requests or agrees in writing with Postcomm that this Licence should be revoked,
  - (b) if any amount payable under condition 18<sup>1</sup> of this Licence is unpaid 30 days after it becomes due and remains unpaid for a period of 14 days after Postcomm has notified the Licensee in writing that the amount is overdue,
  - (c) if the Licensee fails to comply with a final order or a provisional order which has been confirmed under section 24 of the Act and (in either case) such failure is not rectified to the satisfaction of Postcomm after Postcomm has served notice in writing of such failure on the Licensee and before the expiry of three months from the latest of –
    - (i) the date of service of such notice, or
    - (ii) the date of expiration of the period within which an application under section 28 of the Act could be made questioning the validity of the final or provisional order, or
    - (iii) if any such application is made, the date it is finally adjudicated upon,
  - (d) if the Licensee fails to pay the whole or any portion of a penalty imposed by Postcomm under section 30 of the Act or any interest thereon by the date by which it is required to be paid and such failure is not rectified to the

---

<sup>1</sup> When the Licence was granted in 2001 Condition 18 was the obligation on the part of Royal Mail to pay annual amounts to Postcomm. Following the modifications made to the Licence on 25 May 2006 that Condition was renumbered 20 and the former Condition 16 dealing with the provision of information to Postwatch was renumbered 18. Schedule 3 to the Licence contains provisions which are not expressed to be conditions and therefore cannot be modified. Paragraph 1(b) of Schedule 3 therefore cannot be amended to reflect the change in the numbering of the Conditions in Schedule 2. Postcomm does not expect this anomaly to cause any difficulty in practice and will consider a re-ordering of the conditions to address it when the licence is next modified.

satisfaction of Postcomm after Postcomm has served notice in writing of such failure on the Licensee and before the expiry of three months from the latest of –

- (i) the date of service of such notice, or
  - (ii) the date of expiration of the period within which an application under section 36 of the Act could be made in relation to the penalty, or
  - (iii) if any such application is made, the date it is finally adjudicated upon,
- (e) if the Licensee has not within two years of the date on which this Licence comes into force commenced carrying on licensed activities,
- (f) if the Licensee ceases to carry on licensed activities for a continuous period of at least two years,
- (g) if the Licensee –
- (i) is unable to pay its debts (within the meaning of section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraph 2 below) or any voluntary arrangement is proposed in relation to it under section 1 of that Act or it enters into any composition or scheme of arrangement (other than for the purpose of reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by Postcomm),
  - (ii) has a receiver (which expression shall include an administrative receiver within the meaning of section 29 of the Insolvency Act 1986) of the whole or any material part of its assets or undertaking appointed,
  - (iii) has an administration order under section 8 of the Insolvency Act 1986 made in relation to it,
  - (iv) passes any resolution for winding-up other than a resolution previously approved in writing by Postcomm, or
  - (v) becomes subject to an order by the High Court for winding-up.

### Schedule 3 – Revocation of licence

2. For the purposes of paragraph 1(g)(i) above, section 123 (1)(a) of the Insolvency Act 1986 shall have effect as if for “£750” there were substituted “£1,000,000” or such higher figure as Postcomm may from time to time by direction in writing determine and the said section 123 (1) (a) shall not apply if the demand therein referred to is being contested in good faith by the Licensee with recourse to all appropriate measures and procedures or if the demand is satisfied prior to the expiry of the notice to the Licensee given by Postcomm.
- 3 The requisite period of notice shall be –
  - (a) for the purposes of sub-paragraph 1(g), 24 hours, and
  - (b) for all other purposes, 30 days.

## ANNEX

### List of terms and expressions defined in the Act and used in the Licence

*This Annex is not part of the Licence and is included only for convenience.  
Reference should be made to the Act for the authoritative definition of the terms  
included in this Annex.*

Term or Expression	Defining Section of Act	Definition
Access point	4(7)	means any box, receptacle or other facility provided by a universal service provider for the purpose of receiving relevant postal packets, or any class of relevant postal packets, for onwards transmission in connection with the provision of a universal postal service;
Body	125(1)	includes an unincorporated association;
Condition of a licence	13(5)	references to a condition of a licence are to a provision of a licence which is expressed as a condition;
Contravention	125(1)	in relation to any requirement, condition, direction, order or regulations, includes any failure to comply with it and cognate expressions shall be construed accordingly;
Course of transmission by post	125(3)	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 its being delivered to the addressee;
Delivery to addressee	125(3)	the delivery of a postal packet – (i) at the premises to which it is addressed or redirected, unless they are a post office from which it is to be collected, (ii) to any box or receptacle to which the occupier of those premises has agreed that postal packets addressed to persons at those premises may be delivered, or (iii) to the addressee’s agent or to any other person considered to be authorised to receive the packet, shall be a delivery to the addressee;
Employee	125(1)	in relation to a body corporate, includes any officer or director of the body corporate and any other person taking part in its management, and “employer” and other related expressions shall be construed accordingly;

Annex – List of terms and expressions defined in the Act and used in the Licence

Final order	22(5)	means an order under section 22;
Letter	125(1) and (2)	<p>“letter” means any communication in written form on any kind of physical medium to be conveyed and delivered otherwise than electronically to the person or address indicated by the sender on the item itself or on its wrapping (excluding any book, catalogue, newspaper or periodical); and includes a postal packet containing any such communication;</p> <p>For the purposes of this definition of “letter” the reference to a communication to be conveyed and delivered otherwise than electronically shall be construed as a reference to a communication to be conveyed and delivered otherwise than –</p> <p>(a) by means of a telecommunication system (within the meaning of the Telecommunications Act 1984), or</p> <p>(b) by other means but while in electronic form;</p>
Modify	125(1)	includes amend or repeal;
Notice	125(1)	means notice in writing;
Permitted limits	4(7)	in relation to the dimensions of a postal packet, means the minimum and maximum dimensions laid down in the Convention and the Agreement concerning Postal Parcels adopted by the Universal Postal Union;
Post office	125(1)	includes any house, building, room, vehicle or place used for the provision of any postal service;
Postcode Address File	116(3)	<p>Means –</p> <p>(a) the collection of relevant information which, immediately before the coming into force of this section, was owned by the Post Office, or</p> <p>(b) that collection as it is from time to time revised, and</p> <p>“relevant information” means postcodes in the United Kingdom which may be used to facilitate the identification of delivery points for the purpose of providing postal services;</p>
Post office letter box	125(1)	includes any house, building, room, vehicle or place used for the provision of any postal services;
Postal operator	125(1)	means a person who provides the service of conveying postal packets from one place to another by post or any of the incidental services of receiving, collecting, sorting and delivering such packets;
Postal packet	125(1)	means a letter, parcel, packet or other article transmissible by post;

Annex – List of terms and expressions defined in the Act and used in the Licence

Postal services	125(1)	means the service of conveying postal packets from one place to another by post, the incidental services of receiving, collecting, sorting and delivering such packets and any other service which relates to any of those services and is provided in conjunction with any of them;
Provision of a universal postal service	4(1), (2) and (6)	See condition 1 paragraph 2;
Provisional order	23(8)	means an order under section 23;
Public holiday	125(1)	means Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom;
Registered post service	125(1)	means a postal service which provides for the registration of postal packets in connection with their transmission by post and for the payment of compensation for any loss or damage;
Relevant postal packets	4(7)	means postal packets whose weight does not exceed 20 kilograms and whose dimensions fall within permitted limits;
Sender	125(1)	in relation to any letter or other communication, means the person whose communication it is;
Subordinate legislation	125(1)	has the same meaning as in the Interpretation Act 1978 and also includes an instrument made under an Act of the Scottish Parliament and an instrument made under Northern Ireland legislation (within the meaning of section 98(1) of the Northern Ireland Act 1998);
Subsidiary	125(4)	any reference to a subsidiary or wholly owned subsidiary shall be construed in accordance with section 736 of the Companies Act 1985 or Article 4 of the Companies (Northern Ireland) Order 1986;
The Commission	1(1)	a body corporate to be known as the Postal Services Commission;
The Council	2(1)	a body corporate to be known as the Consumer Council for Postal Services;

Annex – List of terms and expressions defined in the Act and used in the Licence

The Postal Services Directive	125(1)	means the Directive of the European Parliament and the Council of the European Union of 15th December 1997 (No. 97/67/EC) on common rules for the development of the internal market of Community postal services and the implementation of quality of service as amended by the Directive of the European Parliament and the Council of the European Union of 10th June 2002 (No. 2002/39/EC) with regard to the further opening to competition of Community postal services <sup>1</sup> ;
Universal service provider	4(3) and (4)	<p>(3) References to a universal service provider shall be construed as references to any person –</p> <p>(a) whose identity is notified by the Secretary of State to the European Commission in accordance with Article 4 of the Postal Services Directive as that of a person providing a universal postal service or a part of such a service in the United Kingdom, and</p> <p>(b) on whom the Secretary of State has served a notice informing him of that fact and the fact that he will be treated as a universal service provider for the purposes of this Act.</p> <p>(4) If no-one falls within subsection (3) because there is no Community obligation to notify the European Commission of the identity of a person providing a universal postal service or a part of such a service in the United Kingdom, references in this Act to a universal service provider shall be construed as references to any person who is treated by the Secretary of State as a universal service provider for the purposes of this Act and on whom the Secretary of State has served a notice informing him of that fact.</p>
Users	125(1)	in relation to postal services, includes users as addressees and potential users;
Vehicle	125(1)	includes a railway vehicle;
Working day	125(1)	<p>Means –</p> <p>(a) in relation to the collection and delivery of letters, any day which is not a Sunday or a public holiday,</p> <p>(b) in relation to the collection and delivery of postal packets other than letters, any day which is not a Saturday, a Sunday or a public holiday.</p>

---

<sup>1</sup> This definition was modified on 1 January 2003 by the Postal Services (EC Directive) Regulations 2002, SI 2002 No. 3050, Regulation 7.