

**MODIFICATION TO LICENCE GRANTED TO TNT UK
LIMITED**

DECISION DOCUMENT

SEPTEMBER 2002

Summary

On 25 July 2002, the Postal Services Commission ("Postcomm") issued a consultation notice on the proposal to modify the licence held by TNT UK Limited ("TNT"). Representations on the granting of the licence modification were requested by 27 August 2002. Postcomm having considered the representations decided to make the modifications.

This document summarises the main points of the responses to the consultation and sets out the reasons for the decision to make the modifications.

Table of contents

1. Introduction

Purpose of this document
Background
Contact details at Postcomm

2. Consultees' representations and Postcomm's views on the proposed licence grant

Support for the modification
Consistency with Postcomm's Market Opening Strategy and draft Standard Terms licence
Removal of service provision in condition 3
The Welsh Language Scheme

3. Postcomm's decision

Background
Assessment of impact on universal service
Users of postal services
Decision

Appendix 1

List of those who responded to the consultation notice on the proposal to modify the licence held by TNT UK Limited.

1. Introduction

Purpose of this document

- 1.1 This document explains the outcome of the consultation process undertaken on the proposal to modify the licence held by TNT UK Limited ("TNT") and outlines the background to the decision taken to modify the licence.

Background

- 1.2 On 26 March 2001 the new regulatory regime for postal services established by the Postal Services Act 2000 ("the Act") came into force. On 28 June 2002 a request was received from TNT to modify their licence.
- 1.3 On 25 July 2002 Postcomm issued a consultation notice on the proposal to modify the TNT licence under Section 14 of the Act. This sought views on Postcomm's proposal to modify the licence. Under the terms of the statutory notice, representations regarding the draft licence modification were requested by 27 August 2002.
- 1.4 The proposed modification enables TNT to convey letters under a mailroom services contract for customers other than Lloyds TSB, subject to the 12 month maximum of 40,500,000 letters.
- 1.5 Postcomm received formal responses or enquiries from four respondents. None of the responses were marked "confidential". A list of those who responded or enquired is attached at Appendix 1. Copies of the responses are held in Postcomm's library.
- 1.6 Postcomm is satisfied that making these modifications, with the safeguards contained, is a proper exercise of Postcomm's functions under the Act.
- 1.7 This decision document summarises the main points arising from the consultation and explains the basis of our decision to make the modification in the terms in which it has been issued.

Contact details at Postcomm

- 1.8 If you have questions about any aspect of this document please contact Shahida Mukhtar at:

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2. Consultees' representations and Postcomm's views on the representations

Support for the modification

Consultees' representations

- 2.1 Postwatch supports the proposal to modify the TNT licence on the basis that the modification is unlikely to have an appreciable adverse effect on the provision of a universal service and that it is consistent with Postcomm's recently published proposals for a longer term licensing regime.

Consistency with Postcomm's Market Opening Strategy and draft Standard Terms licence

- 2.2 Postcomm published its Market Opening Strategy on 29 May 2002 and its draft Standard Terms licence and licensing regime for consultation on 4 July 2002. The consultation period for the draft Standard Terms licence closed on 12 September 2002 and the responses are currently being analysed. It is envisaged that Standard Terms licence decision document will be published at the end of October 2002.

Consultees' representations

- 2.3 Consignia noted that the proposed modification is in line with that proposed for mailroom services in the draft Standard Terms licence which is still out for consultation. Consignia argues that the mailroom services condition may change significantly as a result of the consultation process and that Postcomm has not made any provision to amend this condition in the light of any changes identified by the consultation process.

Postcomm's views

- 2.4 TNT has confirmed that it intends to apply for a Standard Terms licence before 1 January 2003. It will then be subject to all the requirements of that licence. Although, the consultation on the Standard Terms licence has recently ended and representations are currently being considered, it is Postcomm's intention that the Operators will be able to seek a licence for mailroom services. This TNT licence modification, however, relates to its interim, pilot licence and is consistent with the interim licensing policy.

Removal of service provision in condition 3

Consultees' representations

- 2.5 Consignia noted that the service provision in condition 3, of the TNT licence, relating to collection and delivery times has been removed as part of the modification. Consignia argues that this remains relevant to the ongoing provision of mailroom services and as such should remain in the licence.

Postcomm's views

- 2.6 This service provision related only to the Lloyds TSB contract and was unique to the TNT licence. As TNT is seeking to increase the number of mailroom services customers these customers will be seeking differing collection and delivery times. Postcomm's view is that to allow TNT flexibility to agree differing collection and delivery times with individual customers and for consistency with other interim licences, the current specific service provision should be removed. The remaining requirement will therefore be consistent with other interim licences.

The Welsh Language Scheme

Consultees' representations

- 2.7 The Welsh Language Board agrees that effective competition between postal suppliers has the potential to improve the service to customers, but feels equally that it is important to ensure a level playing field and that therefore a requirement for postal operators to provide bilingual services in Welsh would be appropriate. This is something that Consignia currently offers.

Postcomm's views

- 2.8 Postcomm's view is that this is a not matter for it as regulator but is a management issue for those licensees for whom it is relevant under the Welsh Language Act. Consignia's licence does not contain a requirement for it to provide bilingual services in Welsh. There is therefore no requirement to provide bilingual services in Welsh in TNT's licence.

3. Postcomm's decision

Background

- 3.1 In taking the decision to modify the licence held by TNT, we considered the responses received to the consultation notice.

Assessment of impact on the universal service

- 3.2 Permitting mailroom services allows users to contract out an activity that to a considerable extent they presently do, or are permitted to do, themselves and therefore it is unlikely to have any appreciable adverse impact on the provision of the universal postal service in the United Kingdom, especially with the volume limit contained in the modification.

Users of postal services

- 3.3 Postcomm's view is that the modifications will further the interests of users of postal services by promoting competition between postal operators.

Decision

- 3.4 Our overall assessment of the points made is that the modification should be made as proposed. We concluded that to make the modification is a proper exercise of our functions under the Act in that it would have no adverse effect on the provision of the universal service and would further our duty in relation to the interests of consumers and competition. We therefore decided to make the modification.

Appendix 1

Responses to the consultation notice were received from the following bodies/individuals:

1. Armagh City and District Council
2. Consignia plc
3. Postwatch
4. The Welsh Language Board