

## Annex 9

# Statutory Notification: proposed modifications to the USP access condition

### NOTIFICATION OF PROPOSALS TO MODIFY A REGULATORY CONDITION IN ACCORDANCE WITH SECTION 53 OF, AND PARAGRAPH 3 OF SCHEDULE 6 TO, THE POSTAL SERVICES ACT 2011

#### BACKGROUND

**A.** On 13 June 2011, the Postal Services Act 2011 (the “**Act**”) received Royal Assent, which Act makes provision (among other things) about the new regulation of postal services. The new regulatory regime is set out in Part 3 of the Act, which Part came into force on 1 October 2011 and on which day the regulatory responsibility was also transferred from the Postal Services Commission to Ofcom. The provisions of the Act also give effect to Directive 2008/6/EC of the European Parliament and of the Council of 20 February 2008, which amends Directive 97/67/EC with regard to the full accomplishment of the internal market for Community postal services.

**B.** On 27 March 2012, following consultation, Ofcom published a statement entitled ‘*Securing the Universal Postal Service: Decision on the new regulatory framework*’<sup>1</sup> (the “**March 2012 Statement**”) setting out various decisions, including a statutory notification published at Annex 9 to the March 2012 Statement, in accordance with section 53 of, and paragraph 3 of Schedule 6 to, the Act and pursuant to powers in section 38 of and Schedule 3 to the Act, imposing on the universal service provider a USP access condition to make provision for matters set out in section 38 and Schedule 3.

**C.** On 26 February 2013, following consultation, Ofcom published a statement entitled ‘*Modification to the control preventing Royal Mail margin squeeze Statement: Removal of unrecoverable VAT from the calculation of downstream costs in USPA6*’<sup>2</sup> (the “**February 2013 Statement**”). Also on 26 February 2013, Ofcom separately published a notification entitled ‘*Modification to the Royal Mail margin squeeze control: Statutory Notification of change to USP Access Condition 6*’<sup>3</sup> in which Ofcom set out its decision in accordance with section 53 and paragraph 3 of Schedule 6 to the Act, and pursuant to powers in section 38 of and Schedule 3 to the Act, to modify the USP access condition (the “**2013 Modification**”). In Schedule 1 to the 2013 Modification, Ofcom published a marked-up version of that condition showing the modifications made to its paragraph 6.4. A clean copy of the condition containing those modifications was published in Schedule 2 to the 2013 Modification (the “**USPA Condition**”). In paragraph 1.7 of the 2013 Modification, Ofcom stated that this revised version replaced the previous published version notified on 27 March 2012 and took effect when this notification was published.

<sup>1</sup> <http://stakeholders.ofcom.org.uk/consultations/review-of-regulatory-conditions/statement/>

<sup>2</sup> [http://stakeholders.ofcom.org.uk/binaries/consultations/royal-mail-margin-squeeze/statement/Statement\\_on\\_modification\\_to\\_USPA6.pdf](http://stakeholders.ofcom.org.uk/binaries/consultations/royal-mail-margin-squeeze/statement/Statement_on_modification_to_USPA6.pdf)

<sup>3</sup> [http://stakeholders.ofcom.org.uk/binaries/consultations/royal-mail-margin-squeeze/statement/Change\\_to\\_USPA\\_6\\_Statutory\\_Notification.pdf](http://stakeholders.ofcom.org.uk/binaries/consultations/royal-mail-margin-squeeze/statement/Change_to_USPA_6_Statutory_Notification.pdf)

## **PROPOSAL**

1. Ofcom hereby proposes, in accordance with section 53 of, and paragraph 3 of Schedule 6 to, the Act and pursuant to powers in section 38 of the Act, to modify the USPA Condition imposed on the universal service provider to make further provision about the matters set out in that section 38 of, and Part 1 of Schedule 3 to, the Act.
2. The proposed modifications to the USPA Condition are specified in the Schedule 1 to this Notification. For ease of reference, a marked-up consolidated version of the USPA Condition in its entirety, showing our proposed modifications in highlighting, is set out in Schedule 2. For the avoidance of doubt, in the event of any conflict between the proposed modifications as they appear in these Schedules, the proposed modifications as specified in the Schedule 1 shall prevail.
3. The effect of, and Ofcom's reasons for making, this proposal are set out in the consultation document accompanying the publication of this Notification.

## **OFCOM'S DUTIES AND LEGAL TESTS**

4. Ofcom is satisfied that this proposal satisfies the general test in paragraph 1 of Schedule 6 to the Act and the requirements of section 38 of the Act, for the reasons given in the consultation document accompanying the publication of this Notification.
5. In making this proposal, Ofcom has considered and acted in accordance with its principal duty in section 29 of the Act and its general duties in section 3 of the Communications Act 2003.

## **MAKING REPRESENTATIONS**

6. Representations may be made to Ofcom about the proposal set out in this Notification by no later than 24 February 2015.
7. Copies of this Notification and the accompanying consultation document have been sent to the Secretary of State in accordance with paragraph 5(1)(a) of Schedule 6 to the Act.
8. By virtue of paragraph 3(5) of Schedule 6 to the Act, Ofcom may give effect, with or without modifications, to a proposal with respect to which it has published a notification only if Ofcom has—
  - (a) considered every representation about the proposal that is made to Ofcom within the period specified in this Notification; and
  - (b) had regard to every international obligation of the United Kingdom (if any) which has been notified to Ofcom for this purpose by the Secretary of State.

## **INTERPRETATION**

9. Except insofar as the context otherwise requires, words or expressions shall have the meaning assigned to them in this Notification and otherwise any word or expression shall have the same meaning as it has been ascribed for the purpose of Part 3 of the Act.

10. In this Notification—
- (a) “**2013 Modification**” has the meaning given to it in recital (C) to this Notification;
  - (b) “**Act**” means the Postal Services Act 2011 (c.5);
  - (c) “**Ofcom**” means the Office of Communications;
  - (d) “**USPA Condition**” means USP access condition referred to in recital (B) to this Notification as modified and replaced by the 2013 Modification.
11. For the purpose of interpreting this Notification—
- (a) headings and titles shall be disregarded;
  - (b) expressions cognate with those referred to in this Notification shall be construed accordingly;
  - (c) the Interpretation Act 1978 (c. 30) shall apply as if this Notification were an Act of Parliament.
12. The Schedules to this Notification shall form part of this Notification.

Signed by **Chris Rowsell**

A handwritten signature in black ink, appearing to read 'Chris Rowsell', is written over a horizontal line. The signature is cursive and somewhat stylized.

**Competition Policy Director**

A person duly authorised by Ofcom under paragraph 18 of the Schedule to the Office of Communications Act 2002

2 December 2014

## SCHEDULE 1

### PROPOSED MODIFICATIONS TO THE USPA CONDITION

1. USPA 1.3 of the USPA Condition shall be modified as follows—

- (a) the following new definitions shall be inserted in alphabetical order (and existing definitions shall be renumbered accordingly)—
- “(d) **“Business Density”** means the number of business addresses expressed as a percentage of total Delivery Points in the Postcode Sector in question; the expression “business addresses” means in this context addresses of places where organisations are situated as recorded and published from time to time in the database known at the time this USPA 6A enters into force as the Postcode Address File (PAF<sup>®</sup>);
- (e) **“Core Charge”** means the ultimate price charged or offered per D+2 Access Service under a D+2 Access Contract before the application to it of any—
- (i) surcharges, that is to say any amount levied by the universal service provider in respect of a failure by a D+2 Access Operator to comply with the terms and conditions of a D+2 Access Contract in respect of a Mailing Item;
  - (ii) amount of compensation payable under a D+2 Access Contract to a D+2 Access Operator in respect of a failure by the universal service provider to comply with the terms and conditions of a D+2 Access Contract in respect of a Mailing Item;
  - (iii) fees for hire of equipment, trolleys or containers;
  - (iv) fees for maintenance of equipment, trolleys or containers; and
  - (v) interest carried for delay of payments owed to the universal service provider for the provision of a D+2 Access Service under a D+2 Access Contract;
- (f) **“C<sub>I</sub>”** means the amount of a Core Charge, as expressed in pence sterling, applied for Zone D (London);
- (g) **“C<sub>N</sub>”** means the amount of a Core Charge, as expressed in pence sterling, other than a Core Charge for the provision of D+2 Access in respect of which USPA 6A applies;
- (h) **“C<sub>r</sub>”** means the amount of a Core Charge, as expressed in pence sterling, applied for Zone C (Rural);
- (i) **“C<sub>s</sub>”** means the amount of a Core Charge, as expressed in pence sterling, applied for Zone B (Suburban);
- (j) **“C<sub>u</sub>”** means the amount of a Core Charge, as expressed in pence sterling, applied for Zone A (Urban);

- (o) “**D+2 Access Service**” means a product and/or service in relation to a Mailing Item comprised in the provision of D+2 Access that is distinct from another such product and/or service. Such a product and/or service is distinct from another product and/or service if any term or condition for its provision is different from that other service, except for any—
- (i) Profile Requirements, together with any arrangements under a D+2 Contract for ensuring compliance with Profile Requirements;
  - (ii) Profile Surcharges, together with any arrangements under a D+2 Access Contract for payment of Profile Surcharges;
  - (iii) Tolerances; and
  - (iv) terms and conditions under a D+2 Contract associated with ascertaining volumes of Mailing Items handed over to the universal service provider according to the geographic destination to which the Mailing Items are to be delivered;
- (q) “**Delivery Office**” means an office managed by the universal service provider for the purposes of processing postal packets immediately prior to the activity of delivery to the addressee;
- (r) “**Delivery Point**” means any home or premises of any individual or other person in the United Kingdom; and any delivery point approved by OFCOM for the purposes of a designated USP condition;
- (s) “**Delivery Point Density**” means the number of Delivery Points per square kilometre (km<sup>2</sup>);
- (v) “**Downstream Large Letters Unit FAC**” means the unit cost attributed under the method known as fully allocated costs (FAC), and as calculated in accordance with the Costing Manual, of downstream activities which are the activities relating to the conveyance of Large Letters from the IMC to the final destination, which fully allocated costs shall be derived from—
- (i) having subtracted the fully allocated costs attributed to the conveyance of Large Letters to the Channel Islands and the Isle of Man, the 2012/13 Zonal Costing Model; or
  - (ii) such other financial model as OFCOM may from time to time direct;
- (w) “**Downstream Letters Unit FAC**” means the unit cost attributed under the method known as fully allocated costs (FAC), and as calculated in accordance with the Costing Manual, of downstream activities which are the activities relating to the conveyance of Letters from the IMC to the final destination, which fully allocated costs shall be derived from—
- (i) having subtracted the fully allocated costs attributed to the conveyance of Letters to the Channel Islands and the Isle of Man, the 2012/13 Zonal Costing Model; or

- (ii) such other financial model as OFCOM may from time to time direct;
- (x) “**FAC<sub>lA</sub>**” means the Downstream Letters Unit FAC for Zone D (London);
- (y) “**FAC<sub>lA</sub>**” means the Downstream Large Letters Unit FAC for Zone D (London);
- (z) “**FAC<sub>rA</sub>**” means the Downstream Letters Unit FAC for Zone C (Rural);
- (aa) “**FAC<sub>rA</sub>**” means the Downstream Large Letters Unit FAC for Zone C (Rural);
- (bb) “**FAC<sub>sA</sub>**” means the Downstream Letters Unit FAC for Zone B (Suburban);
- (cc) “**FAC<sub>sA</sub>**” means the Downstream Large Letters Unit FAC for Zone B (Suburban);
- (dd) “**FAC<sub>uA</sub>**” means the Downstream Letters Unit FAC for Zone A (Urban);
- (ee) “**FAC<sub>uA</sub>**” means the Downstream Large Letters Unit FAC for Zone A (Urban);
- (ff) “**Financial Year**” has the meaning given to it in USP accounting condition 1.1.2(i);
- (gg) “**Geographic Postcode Sector**” means a Postcode Sector for which the denoted geographical area in which Mailing Items are to be delivered can be measured in square kilometres (km<sup>2</sup>);
- (kk) “**London SSCs**” means—
  - (i) at the time USPA 6A enters into force, SSCs numbered 360, 362, 365, 369, 370, 374, 375, 376, 377, 378, 380 and 384; and
  - (ii) thereafter, if different from the SSCs referred to in (i) above, each and every SSC from time to time notified to OFCOM as having more than 50% of the volume of mail it receives to be delivered to Delivery Points located within the area the outer boundary of which is represented by the London Orbital Motorway (M25),

the expression “notified to OFCOM” means in this context that Royal Mail notifies OFCOM in writing showing to OFCOM’s reasonable satisfaction that the SSC in question has (or, as the case may be, has no longer) the said percentage of delivery volume within the M25 identified from the results of the Mails Characteristics Survey and which percentage of volume has remained stable over a period of at least five consecutive months. OFCOM reserves the right to direct Royal Mail to include any SSC which OFCOM reasonably considers falls within the definition of London SSCs, and to exclude any SSC

which OFCOM reasonably considers falls outside the definition of London SSCs;

- (ll) “**Mailing Item**” means either a Letter or a Large Letter;
- (mm) “**Mails Characteristics Survey**” means the survey carried out by Royal Mail from time to time in order to provide its business with information about the characteristics of mail, including volumes, in accordance with such rules, requirements or processes as OFCOM may direct by or under the USP accounting condition;
- (nn) “**Minimum Posting Requirements**” means terms or conditions under a D+2 Contract that require a D+2 Access Operator to hand over during any period a minimum amount of Mailing Items to the universal service provider for delivery, which minimum amount applies in relation to any geographic area that is not smaller than the United Kingdom;
- (oo) “**National Access Contract**” means a D+2 Access Contract which offers one single Core Charge that is uniform throughout the United Kingdom for each D+2 Access Service;
- (pp) “**Non-Geographic Postcode Sector**” means a Postcode Sector other than a Geographic Postcode Sector, such as a physical geographic location point (e.g. PO boxes);
- (qq) “**Postcode**” means an alphanumeric code allocated by Royal Mail to identify the location of a Delivery Point or group of Delivery Points as recorded and published from time to time in the database known at the time this USPA 6A enters into force as the Postcode Address File (PAF<sup>®</sup>);
- (rr) “**Postcode Sector**” means the first three, four or five alphanumeric digits of an outward Postcode, which is used to identify a geographical area for Mailing Items to be delivered;
- (ss) “**Profile Requirements**” means any requirements (other than Minimum Posting Requirements) placed on a D+2 Access Operator to comply with obligations to hand over to the universal service provider a certain amount of Mailing Items for delivery in any geographical areas in relation to universal service provider’s own posting profile;
- (tt) “**Profile Surcharges**” means any amount levied by the universal service provider in accordance with the terms and conditions of a D+2 Access Contract to compensate for a failure of a D+2 Access Operator to comply with any Profile Requirements;

**[OPTION 1]**

- (eee) “**Relevant Postal Services**” means all of the following postal services—
  - (i) products and/or services provided by the universal service provider for the purpose of complying with its universal service

obligations imposed by or under any designated USP condition;  
and

- (ii) products and/or services provided by Royal Mail other than those products and/or services falling within (i) above;

**[OPTION 2]**

- (eee) **“Relevant Postal Services”** means the postal services comprising all products and/or services provided by Royal Mail other than those products and/or services provided for the purpose of complying with universal service obligations imposed by or under any designated USP condition;
- (jjj) **“SSC”** means a unique three digit numeric code used from time to time, as published in data files (known as the ‘Access Selection Files’ at the time that USPA 6A enters into force), by the universal service provider to enable the identification of Mailing Items sorted by Postcode into groups of Postcodes belonging to an individual Postcode Sector for which there is only one Delivery Office as ultimately identified by that numeric code;
- (nnn) **“Tolerances”** means any terms and conditions under a D+2 Access Contract that allow a D+2 Access Operator to deviate from the Profile Requirements without incurring any additional charge or payment for that allowable amount;
- (ppp) **“V<sub>lA</sub>”** means the total volume of all Letters delivered in Zone D (London) by the universal service provider for the purpose of, or in connection with, the provision of Relevant Postal Services, which total volume is attributed to the corresponding FAC<sub>lA</sub> for the period in question;
- (qqq) **“V<sub>lA</sub>”** means the total volume of all Large Letters delivered in Zone D (London) by the universal service provider for the purpose of, or in connection with, the provision of Relevant Postal Services, which total volume is attributed to the corresponding FAC<sub>lA</sub> for the period in question;
- (rrr) **“V<sub>rA</sub>”** means the total volume of all Letters delivered in Zone C (Rural) by the universal service provider for the purpose of, or in connection with, the provision of Relevant Postal Services, which total volume is attributed to the corresponding FAC<sub>rA</sub> for the period in question;
- (sss) **“V<sub>rA</sub>”** means the total volume of all Large Letters delivered in Zone C (Rural) by the universal service provider for the purpose of, or in connection with, the provision of Relevant Postal Services, which total volume is attributed to the corresponding FAC<sub>rA</sub> for the period in question;
- (ttt) **“V<sub>sA</sub>”** means the total volume of all Letters delivered in Zone B (Suburban) by the universal service provider for the purpose of, or in connection with, the provision of Relevant Postal Services, which total

volume is attributed to the corresponding FAC<sub>sA</sub> for the period in question;

- (uuu) “V<sub>sA</sub>” means the total volume of all Large Letters delivered in Zone B (Suburban) by the universal service provider for the purpose of, or in connection with, the provision of Relevant Postal Services, which total volume is attributed to the corresponding FAC<sub>sA</sub> for the period in question;
- (vvv) “V<sub>uA</sub>” means the total volume of all Letters delivered in Zone A (Urban) by the universal service provider for the purpose of, or in connection with, the provision of Relevant Postal Services, which total volume is attributed to the corresponding FAC<sub>uA</sub> for the period in question;
- (www) “V<sub>uA</sub>” means the total volume of all Large Letters delivered in Zone A (Urban) by the universal service provider for the purpose of, or in connection with, the provision of Relevant Postal Services, which total volume is attributed to the corresponding FAC<sub>uA</sub> for the period in question;
- (yyy) “**Zonal Access Contract**” means a D+2 Access Contract which—
- (i) offers one single Core Charge for each D+2 Access Service that is uniform throughout each Zone in question (but which Core Charge may differ as between Zones);
  - (ii) is subject to terms and conditions based on delivery of each D+2 Access Service according to, and throughout, any of the Zones, without a D+2 Access Operator being required to hand over Mailing Items to the universal service provider for delivery in any other geographical areas, such as throughout the United Kingdom or throughout certain SSCs;
  - (iii) does not contain any Profile Requirements; and
  - (iv) does not contain any terms or conditions requiring that a D+2 Access Operator hand over to the universal service provider for delivery any minimum or maximum amount of Mailing Items, except for complying with any Minimum Posting Requirements;
- (zzz) “**Zones**” means the following four geographical areas into which the United Kingdom is divided for the purposes of this USPA Condition—
- (i) “**Zone A (Urban)**” means the area comprising all—
    - (1) Geographic Postcode Sectors which—
      - (A) have both a Business Density of more than 10% and a Delivery Point Density of more than 500; or
      - (B) have a Delivery Point Density of more than 1,000 (irrespective of the Business Density),

but excluding Postcode Sectors falling within the meaning of Zone D (London); and

(2) Non-Geographic Postcode Sectors, but excluding Postcode Sectors falling within the meaning of Zone D (London);

(ii) “**Zone B (Suburban)**” means the area comprising all Geographic Postcode Sectors which have a Delivery Point Density of between—

(1) equal to (or more than) 100; and

(2) no more than 1000,

but excluding Postcode Sectors falling within the meanings of Zone A (Urban) and Zone D (London), respectively;

(iii) “**Zone C (Rural)**” means the area comprising all Geographic Postcode Sectors which have a Delivery Point Density of less than 100, but excluding Postcode Sectors falling within the meanings of Zone A (Urban), Zone B (Suburban) and Zone D (London), respectively;

(iv) “**Zone D (London)**” means the area comprising all Postcode Sectors allocated to one or more London SSCs;

(aaaa) “**2012/13 Zonal Costing Model**” means the financial model used by Royal Mail to calculate the costs for each Zone for the Financial Year ending on 31 March 2013, which model is contained in a spreadsheet file entitled ‘RM Zonal Costing Model 1213\_Final.xls’ as provided by Royal Mail to OFCOM on 31 January 2014.”

(b) for the definition of “D+2 and later than D+2 Letters and Large Letters services” there shall be substituted the following new definition—

“(p) “**D+2 and later than D+2 Letters and Large Letters services**” means retail services that aim to deliver Letters and Large Letters two working days (or later) after collection from the sender, also known as a day C service, or later;”

(c) for the definition of “Standard Terms and Conditions” there shall be substituted the following new definition—

“(kkk) “**Standard Terms and Conditions**” means such terms and conditions that are—

(i) common to all D+2 Access Contracts;

(ii) common to all National Access Contracts;

(iii) common to all Zonal Access Contracts; and/or

- (iv) where D+2 Access Contracts are individually negotiated, such standard terms and conditions that are appended to such D+2 Access Contracts;
  - (d) for the full stop at the end of the definition of “Working Day” there shall be substituted a semicolon.
2. For USPA 1.4(d) of the USPA Condition, there shall be substituted the following new USPA 1.4(d)—
- “(d) the Interpretation Act 1978 (c. 30) shall apply as if this USPA Condition were an Act of Parliament.”
3. After USPA 2.1 of the USPA Condition, there shall be inserted the following new USPA 2.1A—

USPA 2.1A	<p>The <u>universal service provider</u> shall be precluded from providing—</p> <ul style="list-style-type: none"> <li>(a) any <u>D+2 Access</u> in accordance with USPA 2.1 above under any <u>D+2 Access Contract</u> other than under either a <u>National Access Contract</u> or a <u>Zonal Access Contract</u>;</li> <li>(b) any <u>D+2 Access Services</u> under a <u>National Access Contract</u>, unless the <u>universal service provider</u> offers to provide the same <u>D+2 Access Services</u> under a <u>Zonal Access Contract</u>.</li> </ul>
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- 4. In USPA 2.3 of the USPA Condition, for the expression “Condition” there shall be substituted the expression “USPA 2”.
- 5. In USPA 5.2 of the USPA Condition, for the expression “Condition” there shall be substituted the expression “USPA 5”.
- 6. In USPA 5.4(c) of the USPA Condition, sub-paragraphs (iv), (v) and (vi) shall be renumbered (i), (ii) and (iii), respectively.
- 7. After USPA 6 of the USPA Condition, there shall be inserted the following new USPA 6A and USPA 6B—

**6A. Restrictions on pricing under a Zonal Access Contract**

USPA 6A.1	<p>Except in so far as <u>OFCOM</u> may from time to time direct or otherwise consent in writing, this USPA 6A shall apply to—</p> <ul style="list-style-type: none"> <li>(a) any new provision of <u>D+2 Access</u> in accordance with USPA 2.1 under any <u>Zonal Access Contract</u>; and</li> <li>(b) any provision of <u>D+2 Access</u> in accordance with USPA 2.1 on terms and conditions amounting, or equivalent, to a <u>Zonal Access Contract</u> as already entered into between the <u>universal service provider</u> and a <u>D+2 Access Operator</u> at the time that this USPA 6A enters into force.</li> </ul>
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<p>USPA 6A.2</p>	<p>The <u>universal service provider's Core Charges</u> in respect of which this USPA 6A applies must be no more and no less than ("<b>equal</b>" to) the amounts derived from applying the following ratios in respect of each <u>Core Charge</u> for a <u>D+2 Access Service</u>—</p> <p>where a <u>Mailing Item</u> is a <u>Letter</u>—</p> <p>(a) <math>\frac{C_u}{C_s}</math> divided by <math>\frac{FAC_{u\Delta}}{FAC_{s\Delta}}</math>;</p> <p>(b) <math>\frac{C_u}{C_r}</math> divided by <math>\frac{FAC_{u\Delta}}{FAC_{r\Delta}}</math>; and</p> <p>(c) <math>\frac{C_u}{C_l}</math> divided by <math>\frac{FAC_{u\Delta}}{FAC_{l\Delta}}</math>;</p> <p>where a <u>Mailing Item</u> is a <u>Large Letter</u>—</p> <p>(a) <math>\frac{C_u}{C_s}</math> divided by <math>\frac{FAC_{u\Delta}}{FAC_{s\Delta}}</math>;</p> <p>(b) <math>\frac{C_u}{C_r}</math> divided by <math>\frac{FAC_{u\Delta}}{FAC_{r\Delta}}</math>; and</p> <p>(c) <math>\frac{C_u}{C_l}</math> divided by <math>\frac{FAC_{u\Delta}}{FAC_{l\Delta}}</math>.</p>
<p>USPA 6A.3</p>	<p>The <u>universal service provider</u> must comply with any direction given by <u>OFCOM</u> from time to time under this USPA 6A.</p>

**6B. Restrictions on pricing under a National Access Contract**

<p>USPA 6B.1</p>	<p>Except in so far as <u>OFCOM</u> may from time to time direct or otherwise consent in writing, this USPA 6B shall apply to —</p> <p>(a) any new provision of <u>D+2 Access</u> in accordance with USPA 2.1 under any <u>National Access Contract</u>; and</p> <p>(b) any provision of <u>D+2 Access</u> in accordance with USPA 2.1 on terms and conditions amounting, or equivalent, to a <u>National Access Contract</u> as already entered into between the <u>universal service provider</u> and a <u>D+2 Access Operator</u> at the time that this USPA 6A enters into force.</p>
<p>USPA 6B.2</p>	<p>The <u>universal service provider's Core Charges</u> in respect of which this USPA 6B applies must be no more and no less than ("<b>equal</b>" to) the amounts derived from applying the following formulas in respect of each <u>Core Charge</u> for a <u>D+2 Access Service</u>—</p>

	<p>where a <u>Mailing Item</u> is a <u>Letter</u>—</p> <p style="text-align: center;"><math>\underline{C}_N</math> must equal (to one decimal place):</p> $\frac{(\underline{V}_{u\Delta} * \underline{C}_u) + (\underline{V}_{s\Delta} * \underline{C}_s) + (\underline{V}_{r\Delta} * \underline{C}_r) + (\underline{V}_{l\Delta} * \underline{C}_l)}{(\underline{V}_{u\Delta} + \underline{V}_{s\Delta} + \underline{V}_{r\Delta} + \underline{V}_{l\Delta})}$ <p>where a <u>Mailing Item</u> is a <u>Large Letter</u>—</p> <p style="text-align: center;"><math>\underline{C}_N</math> must equal (to one decimal place):</p> $\frac{(\underline{V}_{u\Delta} * \underline{C}_u) + (\underline{V}_{s\Delta} * \underline{C}_s) + (\underline{V}_{r\Delta} * \underline{C}_r) + (\underline{V}_{l\Delta} * \underline{C}_l)}{(\underline{V}_{u\Delta} + \underline{V}_{s\Delta} + \underline{V}_{r\Delta} + \underline{V}_{l\Delta})}$
<p>USPA 6B.3</p>	<p>The <u>universal service provider</u> must comply with any direction given by <u>OFCOM</u> from time to time under this USPA 6B.</p>

8. In USPA 8.1 of the USPA Condition, for the expression “OFCOM” there shall be substituted the expression “OFCOM”.

**SCHEDULE 2**

**THE USPA CONDITION AS MARKED-UP WITH PROPOSED MODIFICATIONS**

**1. Application, definitions and interpretation**

USPA 1.1	This USP access condition (“ <b>USPA Condition</b> ”) shall apply to <u>Royal Mail</u> as the <u>universal service provider</u> designated by <u>OFCOM</u> .
USPA 1.2	This <u>USPA Condition</u> shall apply to <u>access to the universal service provider’s postal network at the Inward Mail Centre (“IMC”) for the purposes of providing D+2 and later than D+2 Letters and Large Letters services (“D+2 Access”)</u> .
USPA 1.3	<p>In this <u>USPA Condition</u>—</p> <p>(a) “<b>Act</b>” means the Postal Services Act 2011 (c.5);</p> <p>(b) “<b>access</b>” means giving a person access to a provider’s <u>postal network</u>, including giving that person an entitlement to use, be provided with or become a party to any services, facilities or arrangements comprised in the postal network;</p> <p>(c) “<b>Access Terms and Conditions Change Notice</b>” has the meaning given to it in USPA 7;</p> <p>(d) “<b>Business Density</b>” means the number of business addresses expressed as a percentage of total <u>Delivery Points</u> in the <u>Postcode Sector</u> in question; the expression “business addresses” means in this context addresses of places where organisations are situated as recorded and published from time to time in the database known at the time this USPA 6A enters into force as the Postcode Address File (PAF<sup>®</sup>);</p> <p>(e) “<b>Core Charge</b>” means the ultimate price charged or offered per <u>D+2 Access Service</u> under a <u>D+2 Access Contract</u> before the application to it of any—</p> <p>(i) <u>surcharges, that is to say any amount levied by the universal service provider in respect of a failure by a D+2 Access Operator to comply with the terms and conditions of a D+2 Access Contract in respect of a Mailing Item;</u></p> <p>(ii) <u>amount of compensation payable under a D+2 Access Contract to a D+2 Access Operator in respect of a failure by the universal service provider to comply with the terms and conditions of a D+2 Access Contract in respect of a Mailing Item;</u></p> <p>(iii) <u>fees for hire of equipment, trolleys or containers;</u></p> <p>(iv) <u>fees for maintenance of equipment, trolleys or containers;</u></p>

	<p>and</p> <p>(v) interest carried for delay of payments owed to the universal service provider for the provision of a <u>D+2 Access Service</u> under a <u>D+2 Access Contract</u>;</p> <p>(f) “<u>C<sub>I</sub></u>” means the amount of a <u>Core Charge</u>, as expressed in pence sterling, applied for <u>Zone D (London)</u>;</p> <p>(g) “<u>C<sub>N</sub></u>” means the amount of a <u>Core Charge</u>, as expressed in pence sterling, other than a <u>Core Charge</u> for the provision of <u>D+2 Access</u> in respect of which <u>USPA 6A</u> applies;</p> <p>(h) “<u>C<sub>r</sub></u>” means the amount of a <u>Core Charge</u>, as expressed in pence sterling, applied for <u>Zone C (Rural)</u>;</p> <p>(i) “<u>C<sub>s</sub></u>” means the amount of a <u>Core Charge</u>, as expressed in pence sterling, applied for <u>Zone B (Suburban)</u>;</p> <p>(j) “<u>C<sub>u</sub></u>” means the amount of a <u>Core Charge</u>, as expressed in pence sterling, applied for <u>Zone A (Urban)</u>;</p> <p>(<del>d</del>-k) “<u>Costing Manual</u>” has the meaning given to it in <u>USP accounting condition 1.1.2(f)</u>;</p> <p>(<del>e</del>-l) “<u>D+2 Access Operator</u>” means a <u>postal operator</u> or a user of <u>postal services</u> which has or seeks <u>D+2 Access</u> to the <u>universal service provider’s postal network</u>;</p> <p>(<del>f</del>-m) “<u>D+2 Access</u>” means <u>access</u> to the <u>universal service provider’s postal network</u> at the <u>IMC</u> for the purposes of providing <u>D+2 and later than D+2 Letters and Large Letters services</u>;</p> <p>(<del>g</del>-n) “<u>D+2 Access Contract</u>” means a contract entered into by the <u>universal service provider</u> and another <u>postal operator</u> or a user of <u>postal services</u> for the provision by the <u>universal service provider</u> of <u>D+2 Access</u>;</p> <p>(o) “<u>D+2 Access Service</u>” means a product and/or service in relation to a <u>Mailing Item</u> comprised in the provision of <u>D+2 Access</u> that is distinct from another such product and/or service. Such a product and/or service is distinct from another product and/or service if any term or condition for its provision is different from that other service, except for any—</p> <p>(i) <u>Profile Requirements</u>, together with any arrangements under a <u>D+2 Contract</u> for ensuring compliance with <u>Profile Requirements</u>;</p> <p>(ii) <u>Profile Surcharges</u>, together with any arrangements under a <u>D+2 Access Contract</u> for payment of <u>Profile Surcharges</u>;</p> <p>(iii) <u>Tolerances</u>; and</p> <p>(iv) terms and conditions under a <u>D+2 Contract</u> associated</p>
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	<p>with ascertaining volumes of <u>Mailing Items</u> handed over to the <u>universal service provider</u> according to the geographic destination to which the <u>Mailing Items</u> are to be delivered;</p> <p><b>(h-p)</b> “<b>D+2 and later than D+2 Letters and Large Letters services</b>” means <u>retail services</u> that aim to deliver <u>Letters</u> and <u>Large Letters</u> two <u>working days</u> (or later) after collection from the sender, also known as a day C service, or later;</p> <p><b>(q)</b> “<b>Delivery Office</b>” means an office managed by the <u>universal service provider</u> for the purposes of processing <u>postal packets</u> immediately prior to the activity of delivery to the addressee;</p> <p><b>(r)</b> “<b>Delivery Point</b>” means any home or premises of any individual or other person in the United Kingdom; and any delivery point approved by <u>OFCOM</u> for the purposes of a designated <u>USP condition</u>;</p> <p><b>(s)</b> “<b>Delivery Point Density</b>” means the number of <u>Delivery Points</u> per square kilometre (km<sup>2</sup>);</p> <p><b>(i-t)</b> “<b>Directed Adjustments</b>” means those adjustments to the <u>Relevant Upstream Costs</u> that <u>OFCOM</u> direct the <u>universal service provider</u> to make in order to address differences between the <u>universal service provider</u>’s upstream operations and <u>D+2 Access Operators</u> with regards to accessing the <u>universal service provider</u>’s network;</p> <p><b>(j-u)</b> “<b>Downstream Costs</b>” means the costs, as calculated in accordance with <u>Royal Mail’s Costing Manual</u>, of downstream activities which are the activities relating to the conveyance of mail items from the <u>IMC</u> to the final destination;</p> <p><b>(v)</b> “<b>Downstream Large Letters Unit FAC</b>” means the unit cost attributed under the method known as fully allocated costs (FAC), and as calculated in accordance with the <u>Costing Manual</u>, of downstream activities which are the activities relating to the conveyance of <u>Large Letters</u> from the <u>IMC</u> to the final destination, which fully allocated costs shall be derived from—</p> <ul style="list-style-type: none"><li>(i) having subtracted the fully allocated costs attributed to the conveyance of <u>Large Letters</u> to the Channel Islands and the Isle of Man, the <u>2012/13 Zonal Costing Model</u>; or</li><li>(ii) such other financial model as <u>OFCOM</u> may from time to time direct;</li></ul> <p><b>(w)</b> “<b>Downstream Letters Unit FAC</b>” means the unit cost attributed under the method known as fully allocated costs (FAC), and as calculated in accordance with the <u>Costing Manual</u>, of downstream activities which are the activities relating to the conveyance of <u>Letters</u> from the <u>IMC</u> to the final</p>
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	<p>destination, which fully allocated costs shall be derived from—</p> <p>(i) having subtracted the fully allocated costs attributed to the conveyance of <u>Letters</u> to the Channel Islands and the Isle of Man, the <u>2012/13 Zonal Costing Model</u>; or</p> <p>(ii) such other financial model as <u>OFCOM</u> may from time to time direct;</p> <p><b>(x)</b> “<u>FAC<sub>lA</sub></u>” means the <u>Downstream Letters Unit FAC for Zone D (London)</u>;</p> <p><b>(y)</b> “<u>FAC<sub>lA</sub></u>” means the <u>Downstream Large Letters Unit FAC for Zone D (London)</u>;</p> <p><b>(z)</b> “<u>FAC<sub>rA</sub></u>” means the <u>Downstream Letters Unit FAC for Zone C (Rural)</u>;</p> <p><b>(aa)</b> “<u>FAC<sub>rA</sub></u>” means the <u>Downstream Large Letters Unit FAC for Zone C (Rural)</u>;</p> <p><b>(bb)</b> “<u>FAC<sub>sA</sub></u>” means the <u>Downstream Letters Unit FAC for Zone B (Suburban)</u>;</p> <p><b>(cc)</b> “<u>FAC<sub>sA</sub></u>” means the <u>Downstream Large Letters Unit FAC for Zone B (Suburban)</u>;</p> <p><b>(dd)</b> “<u>FAC<sub>uA</sub></u>” means the <u>Downstream Letters Unit FAC for Zone A (Urban)</u>;</p> <p><b>(ee)</b> “<u>FAC<sub>uA</sub></u>” means the <u>Downstream Large Letters Unit FAC for Zone A (Urban)</u>;</p> <p><b>(ff)</b> “<u>Financial Year</u>” has the meaning given to it in <u>USP accounting condition 1.1.2(i)</u>;</p> <p><b>(gg)</b> “<u>Geographic Postcode Sector</u>” means a <u>Postcode Sector</u> for which the denoted geographical area in which <u>Mailing Items</u> are to be delivered can be measured in square kilometres (km<sup>2</sup>);</p> <p><b>(k-hh)</b> “<u>Inward Mail Centre</u>” or “<u>IMC</u>” means the part of the mail centre in which the activities related to the processes of final sorting for delivery (in that mail centre’s catchment area) of mail received from the upstream part of <u>Royal Mail</u>’s network, or from other <u>postal operators</u>, to the final addresses take place. The upstream part of <u>Royal Mail</u>’s network consists of the processes related to collection and distribution of mail;</p> <p><b>(l-ii)</b> “<u>Letters</u>” means any item up to length 240mm, width 165mm, thickness 5mm, and weighing no more than 100g;</p> <p><b>(m-ji)</b> “<u>Large Letters</u>” means any item larger than a <u>Letter</u> and up to length 353mm, width 250mm, thickness 25mm, and</p>
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weighing no more than 750g;

**(kk)** “London SSCs” means—

(i) at the time USPA 6A enters into force, SSCs numbered 360, 362, 365, 369, 370, 374, 375, 376, 377, 378, 380 and 384; and

(ii) thereafter, if different from the SSCs referred to in (i) above, each and every SSC from time to time notified to OFCOM as having more than 50% of the volume of mail it receives to be delivered to Delivery Points located within the area the outer boundary of which is represented by the London Orbital Motorway (M25),

the expression “notified to OFCOM” means in this context that Royal Mail notifies OFCOM in writing showing to OFCOM’s reasonable satisfaction that the SSC in question has (or, as the case may be, has no longer) the said percentage of delivery volume within the M25 identified from the results of the Mails Characteristics Survey and which percentage of volume has remained stable over a period of at least five consecutive months. OFCOM reserves the right to direct Royal Mail to include any SSC which OFCOM reasonably considers falls within the definition of London SSCs, and to exclude any SSC which OFCOM reasonably considers falls outside the definition of London SSCs;

**(ll)** “Mailing Item” means either a Letter or a Large Letter;

**(mm)** “Mails Characteristics Survey” means the survey carried out by Royal Mail from time to time in order to provide its business with information about the characteristics of mail, including volumes, in accordance with such rules, requirements or processes as OFCOM may direct by or under the USP accounting condition;

**(nn)** “Minimum Posting Requirements” means terms or conditions under a D+2 Contract that require a D+2 Access Operator to hand over during any period a minimum amount of Mailing Items to the universal service provider for delivery, which minimum amount applies in relation to any geographic area that is not smaller than the United Kingdom;

**(oo)** “National Access Contract” means a D+2 Access Contract which offers one single Core Charge that is uniform throughout the United Kingdom for each D+2 Access Service;

**(pp)** “Non-Geographic Postcode Sector” means a Postcode Sector other than a Geographic Postcode Sector, such as a physical geographic location point (e.g. PO boxes);

	<p><b>(qq)</b> “<b>Postcode</b>” means an alphanumeric code allocated by <u>Royal Mail</u> to identify the location of a <u>Delivery Point</u> or group of <u>Delivery Points</u> as recorded and published from time to time in the database known at the time this USPA 6A enters into force as the <u>Postcode Address File (PAF<sup>®</sup>)</u>;</p> <p><b>(rr)</b> “<b>Postcode Sector</b>” means the first three, four or five alphanumeric digits of an outward <u>Postcode</u>, which is used to identify a geographical area for <u>Mailing Items</u> to be delivered;</p> <p><b>(ss)</b> “<b>Profile Requirements</b>” means any requirements (other than <u>Minimum Posting Requirements</u>) placed on a <u>D+2 Access Operator</u> to comply with obligations to hand over to the <u>universal service provider</u> a certain amount of <u>Mailing Items</u> for delivery in any geographical areas in relation to <u>universal service provider’s own posting profile</u>;</p> <p><b>(tt)</b> “<b>Profile Surcharges</b>” means any amount levied by the <u>universal service provider</u> in accordance with the terms and conditions of a <u>D+2 Access Contract</u> to compensate for a failure of a <u>D+2 Access Operator</u> to comply with any <u>Profile Requirements</u>;</p> <p><b>(n-uu)</b> “<b>public holiday</b>” includes, in relation to a particular territory, any day in relation to which <u>OFCOM</u> has by direction stated that exceptional circumstances require it to be treated as a public holiday;</p> <p><b>(e-vv)</b> “<b>Regulatory condition</b>” means any condition of authorisation set by <u>OFCOM</u> under the <u>Act</u>;</p> <p><b>(p-ww)</b> “<b>Related person</b>” means</p> <ul style="list-style-type: none"> <li>(i) in relation to an undertaking within the meaning of section 1161 of the Companies Act 2006 (“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 1162 of the Companies Act 2006; and</li> <li>(ii) 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;</li> </ul> <p><b>(q-xx)</b> “<b>Relevant Access Service</b>” means <u>access services</u> which have attributes which are all or substantially all equivalent to the inward processing and delivery attributes of the <u>Relevant Retail Services</u>;</p> <p><b>(f-yy)</b> “<b>Relevant Contracts</b>” means contracts for <u>Relevant Retail Services</u> which are on terms other than those both published by <u>Royal Mail</u> and generally available to all customers meeting specified criteria;</p> <p><b>(s-zz)</b> “<b>Relevant Downstream Costs</b>” has the meaning given to it</p>
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in USPA 6 below;

**(t-aaa)** “**Relevant Downstream Revenue**” has the meaning given to it in USPA 6 below;

**(u-bbb)** “**Relevant End to End Costs**” has the meaning given to it in USPA 6 below;

**(v-ccc)** “**Relevant End to End Revenue**” has the meaning given to it in USPA 6 below;

**(w-ddd)** “**Relevant Period**” means, for the purposes of USPA 6, the financial reporting period most closely aligned with the twelve month period starting on 1 April in every year;

**[OPTION 1]**

**(eee)** “**Relevant Postal Services**” means all of the following postal services—

(i) products and/or services provided by the universal service provider for the purpose of complying with its universal service obligations imposed by or under any designated USP condition; and

(ii) products and/or services provided by Royal Mail other than those products and/or services falling within (i) above;

**[OPTION 2]**

**(eee)** “**Relevant Postal Services**” means the postal services comprising all products and/or services provided by Royal Mail other than those products and/or services provided for the purpose of complying with universal service obligations imposed by or under any designated USP condition;

**(x-fff)** “**Relevant Retail Services**” means all Second Class Mailsort and Second Class Walksort services, and any current, new or successor retail services that are substantially similar services, offered by Royal Mail. Royal Mail shall notify OFCOM from time to time of any changes to the group of services that fall within the definition of Relevant Retail Services. OFCOM reserve the right to direct Royal Mail to include any services within that group which it reasonably considers fall within the definition of Relevant Retail Services and to exclude any services from that group which it reasonably considers fall outside the scope of that definition;

**(y-ggg)** “**Relevant Upstream Costs**” has the meaning given to it in USPA 6 below;

**(z-hhh)** “**Relevant Upstream Revenue**” has the meaning given to it in USPA 6 below;

- (aa-iii)** “**Royal Mail**” means Royal Mail Group Limited, whose registered company number in England and Wales is 04138203;
- (jjj)** “**SSC**” means a unique three digit numeric code used from time to time, as published in data files (known as the ‘Access Selection Files’ at the time that USPA 6A enters into force), by the universal service provider to enable the identification of Mailing Items sorted by Postcode into groups of Postcodes belonging to an individual Postcode Sector for which there is only one Delivery Office as ultimately identified by that numeric code;
- (bb-kkk)** “**Standard Terms and Conditions**” means such terms and conditions that are—
- (i)** common to all D+2 Access Contracts;
  - (ii)** common to all National Access Contracts;
  - (iii)** common to all Zonal Access Contracts; and/or
  - (iv)** where D+2 Access Contracts are individually negotiated, such standard terms and conditions that are appended to such D+2 Access Contracts;
- (cc-lll)** “**Statement of Notice**” has the meaning given to it in USPA 7.5 below;
- (dd-mmm)** “**Statement of Process**” has the meaning given to it in USPA 4 below;
- (nnn)** “**Tolerances**” means any terms and conditions under a D+2 Access Contract that allow a D+2 Access Operator to deviate from the Profile Requirements without incurring any additional charge or payment for that allowable amount;
- (ee-ooo)** “**USPA Condition**” means a USP access condition imposed on the universal service provider under section 38 of the Act;
- (ppp)** “**V<sub>lA</sub>**” means the total volume of all Letters delivered in Zone D (London) by the universal service provider for the purpose of, or in connection with, the provision of Relevant Postal Services, which total volume is attributed to the corresponding FAC<sub>lA</sub> for the period in question;
- (qqq)** “**V<sub>lA</sub>**” means the total volume of all Large Letters delivered in Zone D (London) by the universal service provider for the purpose of, or in connection with, the provision of Relevant Postal Services, which total volume is attributed to the corresponding FAC<sub>lA</sub> for the period in question;
- (rrr)** “**V<sub>rA</sub>**” means the total volume of all Letters delivered in Zone C (Rural) by the universal service provider for the purpose of, or

	<p>in connection with, the provision of <u>Relevant Postal Services</u>, which total volume is attributed to the corresponding <u>FAC<sub>rA</sub></u> for the period in question;</p> <p><b>(sss)</b> “<u>V<sub>rA</sub></u>” means the total volume of all <u>Large Letters</u> delivered in <u>Zone C (Rural)</u> by the <u>universal service provider</u> for the purpose of, or in connection with, the provision of <u>Relevant Postal Services</u>, which total volume is attributed to the corresponding <u>FAC<sub>rA</sub></u> for the period in question;</p> <p><b>(ttt)</b> “<u>V<sub>sA</sub></u>” means the total volume of all <u>Letters</u> delivered in <u>Zone B (Suburban)</u> by the <u>universal service provider</u> for the purpose of, or in connection with, the provision of <u>Relevant Postal Services</u>, which total volume is attributed to the corresponding <u>FAC<sub>sA</sub></u> for the period in question;</p> <p><b>(uuu)</b> “<u>V<sub>sA</sub></u>” means the total volume of all <u>Large Letters</u> delivered in <u>Zone B (Suburban)</u> by the <u>universal service provider</u> for the purpose of, or in connection with, the provision of <u>Relevant Postal Services</u>, which total volume is attributed to the corresponding <u>FAC<sub>sA</sub></u> for the period in question;</p> <p><b>(vvv)</b> “<u>V<sub>uA</sub></u>” means the total volume of all <u>Letters</u> delivered in <u>Zone A (Urban)</u> by the <u>universal service provider</u> for the purpose of, or in connection with, the provision of <u>Relevant Postal Services</u>, which total volume is attributed to the corresponding <u>FAC<sub>uA</sub></u> for the period in question;</p> <p><b>(www)</b> “<u>V<sub>uA</sub></u>” means the total volume of all <u>Large Letters</u> delivered in <u>Zone A (Urban)</u> by the <u>universal service provider</u> for the purpose of, or in connection with, the provision of <u>Relevant Postal Services</u>, which total volume is attributed to the corresponding <u>FAC<sub>uA</sub></u> for the period in question;</p> <p><b>(ff-xxx)</b> “<u>Working day</u>” means any day which is not a Sunday or a <u>public holiday</u>;</p> <p><b>(yyy)</b> “<u>Zonal Access Contract</u>” means a <u>D+2 Access Contract</u> which—</p> <ul style="list-style-type: none"> <li>(i) offers one single <u>Core Charge</u> for each <u>D+2 Access Service</u> that is uniform throughout each <u>Zone</u> in question (but which <u>Core Charge</u> may differ as between <u>Zones</u>);</li> <li>(ii) is subject to terms and conditions based on delivery of each <u>D+2 Access Service</u> according to, and throughout, any of the <u>Zones</u>, without a <u>D+2 Access Operator</u> being required to hand over <u>Mailing Items</u> to the <u>universal service provider</u> for delivery in any other geographical areas, such as throughout the <u>United Kingdom</u> or throughout certain <u>SSCs</u>;</li> <li>(iii) does not contain any <u>Profile Requirements</u>; and</li> <li>(iv) does not contain any terms or conditions requiring that a</li> </ul>
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	<p><u>D+2 Access Operator</u> hand over to the <u>universal service provider</u> for delivery any minimum or maximum amount of <u>Mailing Items</u>, except for complying with any <u>Minimum Posting Requirements</u>;</p> <p><b>(zzz)</b> “<b>Zones</b>” means the following four geographical areas into which the United Kingdom is divided for the purposes of this <u>USPA Condition</u>—</p> <p>(i) “<b>Zone A (Urban)</b>” means the area comprising all—</p> <p>(1) <u>Geographic Postcode Sectors</u> which—</p> <p>(A) have both a <u>Business Density</u> of more than 10% and a <u>Delivery Point Density</u> of more than 500; or</p> <p>(B) have a <u>Delivery Point Density</u> of more than 1,000 (irrespective of the <u>Business Density</u>), but excluding <u>Postcode Sectors</u> falling within the meaning of <u>Zone D (London)</u>; and</p> <p>(2) <u>Non-Geographic Postcode Sectors</u>, but excluding <u>Postcode Sectors</u> falling within the meaning of <u>Zone D (London)</u>;</p> <p>(ii) “<b>Zone B (Suburban)</b>” means the area comprising all <u>Geographic Postcode Sectors</u> which have a <u>Delivery Point Density</u> of between—</p> <p>(1) equal to (or more than) 100; and</p> <p>(2) no more than 1000,</p> <p>but excluding <u>Postcode Sectors</u> falling within the meanings of <u>Zone A (Urban)</u> and <u>Zone D (London)</u>, respectively;</p> <p>(iii) “<b>Zone C (Rural)</b>” means the area comprising all <u>Geographic Postcode Sectors</u> which have a <u>Delivery Point Density</u> of less than 100, but excluding <u>Postcode Sectors</u> falling within the meanings of <u>Zone A (Urban)</u>, <u>Zone B (Suburban)</u> and <u>Zone D (London)</u>, respectively;</p> <p>(iv) “<b>Zone D (London)</b>” means the area comprising all <u>Postcode Sectors</u> allocated to one or more <u>London SSCs</u>;</p> <p><b>(aaaa)</b> “<b>2012/13 Zonal Costing Model</b>” means the financial model used by <u>Royal Mail</u> to calculate the costs for each <u>Zone</u> for the <u>Financial Year</u> ending on 31 March 2013, which model is contained in a spreadsheet file entitled ‘RM Zonal Costing Model 1213_Final.xls’ as provided by <u>Royal Mail</u> to <u>OFCOM</u> on 31 January 2014.</p>
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USPA 1.4	<p>For the purpose of interpreting this <u>USPA Condition</u>—</p> <p>(a) except in so far as the context otherwise requires, words or expressions shall have the meaning assigned to them in USPA 1.3 above and otherwise any word or expression shall have the same meaning as it has been ascribed for the purpose of Part 3 of the <u>Act</u>;</p> <p>(b) headings and titles shall be disregarded;</p> <p>(c) expressions cognate with those referred to in this Notification shall be construed accordingly; and</p> <p>(d) the Interpretation Act 1978 (c. 30) shall apply as if <b>the this <u>USPA Condition set out in this Condition</u></b> were an Act of Parliament.</p>
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**2. Requirement to provide D+2 Access on reasonable request**

USPA 2.1	<p>Where a <u>D+2 Access Operator</u> reasonably requests in writing <u>D+2 Access</u>, the <u>universal service provider</u> shall provide that <u>D+2 Access</u>. The <u>universal service provider</u> shall also provide such <u>D+2 Access</u> as <u>OFCOM</u> may from time to time direct.</p>
USPA 2.1A	<p>The <u>universal service provider</u> shall be precluded from providing—</p> <p>(a) any <u>D+2 Access</u> in accordance with USPA 2.1 above under any <u>D+2 Access Contract</u> other than under either a <u>National Access Contract</u> or a <u>Zonal Access Contract</u>;</p> <p>(b) any <u>D+2 Access Services</u> under a <u>National Access Contract</u>, unless the <u>universal service provider</u> offers to provide the same <u>D+2 Access Services</u> under a <u>Zonal Access Contract</u>.</p>
USPA 2.2	<p>The provision of <u>D+2 Access</u> in accordance with USPA 2.1 above shall occur as soon as it is reasonably practicable.</p>
USPA 2.3	<p>The <u>universal service provider</u> must comply with any direction given by <u>OFCOM</u> from time to time under this <b>Condition <u>USPA 2</u></b>.</p>

**3. Requirement for fair and reasonable terms, conditions and charges**

USPA 3.1	<p>The provision of <u>D+2 Access</u> in accordance with USPA 2.1 above and pursuant to any existing <u>D+2 Access Contract</u> shall be provided on fair and reasonable terms, conditions and charges and on such terms, conditions and charges as <u>OFCOM</u> may from time to time direct.</p>
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#### **4. Requests for D+2 Access or variations to existing D+2 Access Contracts**

USPA 4.1	<p>The <u>universal service provider</u> shall, for the purposes of transparency, publish a reasonable statement of the processes that will apply to requests for <u>D+2 Access</u> and variations to existing <u>D+2 Access Contracts</u> made to it (a “<u>Statement of Process</u>”). Such <u>Statement of Process</u> shall include:</p> <ul style="list-style-type: none"> <li>(a) the form in which such a request should be made;</li> <li>(b) the information that the <u>universal service provider</u> reasonably requires in order to consider a request for new <u>D+2 Access</u> or a variation to existing <u>D+2 Access</u>; and</li> <li>(c) the reasonable time-scales in which such requests will be handled by the <u>universal service provider</u>.</li> </ul>
USPA 4.2	<p>The <u>universal service provider</u> shall publish the <u>Statement of Process</u> described at USPA 4.1 above within three months of the date that this <u>USPA Condition</u> enters into force following a consultation with <u>OFCOM</u> and with <u>D+2 Access Operators</u>. The <u>universal service provider</u> shall keep the <u>Statement of Process</u> under review and consult with <u>OFCOM</u> and <u>D+2 Access Operators</u> before making any amendments to the <u>Statement of Process</u>. The provisions set out in the <u>Statement of Process</u> (as amended from time to time) will apply to all requests for <u>D+2 Access</u> or variations to existing <u>D+2 Access Contracts</u> subject to any direction by <u>OFCOM</u> as to the terms of those provisions or the manner in which they are to apply.</p>
USPA 4.3	<p>The <u>universal service provider</u> shall, upon reasonable request from a <u>D+2 Access Operator</u> considering making a request for <u>D+2 Access</u> or a variation to an existing <u>D+2 Access Contract</u>, provide that <u>D+2 Access Operator</u> with such information as is reasonably necessary to enable that <u>D+2 Access Operator</u> to make a request for <u>D+2 Access</u> or a variation to an existing <u>D+2 Access Contract</u>. Such information is to be provided within a reasonable period.</p>
USPA 4.4	<p>On receipt of a written request for <u>D+2 Access</u> or a variation to an existing <u>D+2 Access Contract</u>, the <u>universal service provider</u> shall deal with the request in accordance with the <u>Statement of Process</u> described at USPA 4.1 above. A modification of a request for <u>D+2 Access</u> or a variation to an existing <u>D+2 Access Contract</u> which has previously been submitted to the <u>universal service provider</u>, and rejected by the <u>universal service provider</u>, shall be considered as a new request.</p>

**5. Requirement not to unduly discriminate and restriction on use of information obtained in connection with giving access**

USPA 5.1	The <u>universal service provider</u> shall not unduly discriminate against particular persons or against a particular description of persons in relation to matters connected with <u>D+2 Access</u> .
USPA 5.2	In this <u>Condition USPA 5</u> , the <u>universal service provider</u> may be deemed to have shown undue discrimination if it unfairly favours to a material extent an activity carried on by it so as to place at a competitive disadvantage persons competing with the <u>universal service provider</u> .
USPA 5.3	<p>Subject to USPA 5.4, the <u>universal service provider</u> shall use all reasonable endeavours to secure that no information in the possession of the <u>universal service provider</u> as a result of giving access to its <u>postal network</u> under any <u>USPA Condition</u> to other persons—</p> <p>(a) is disclosed for the benefit of or used for the purpose of any trading business conducted by the <u>universal service provider</u>; or</p> <p>(b) is disclosed for the benefit of or used for the purpose of any trading business conducted by any <u>related person</u> of the <u>universal service provider</u>.</p>
USPA 5.4	<p>USPA 5.3 shall not apply in so far as—</p> <p>(a) <u>OFCOM</u> may consent in writing,</p> <p>(b) every person to whom the information relates has consented in writing to its disclosure or use as mentioned in USPA 5.3,</p> <p>(c) the disclosure is to, or the use is by, a person who—</p> <p style="padding-left: 20px;"><del>(iv)</del>(i) is acting as an agent of the <u>universal service provider</u> for the provision of <u>postal services</u> to the person to whom <u>access</u> has been given and only for that purpose;</p> <p style="padding-left: 20px;"><del>(v)</del>(ii) is engaged by the <u>universal service provider</u> for the purpose of the <u>universal service provider</u>'s business as a <u>postal operator</u> and has access to the information only for that purpose; and</p> <p style="padding-left: 20px;"><del>(vi)</del>(iii) is restricted by contract with the <u>universal service provider</u> from making any further disclosure or use of the information; or</p> <p>(d) the information has been published or is required to be disclosed in pursuance of any other <u>regulatory condition</u> to which the <u>universal service provider</u> is subject; or</p>

	<p><b>(e)</b> the information is in the public domain otherwise than in consequence of a contravention of any <u>regulatory condition</u> to which the <u>universal service provider</u> is subject.</p>
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**6. Control to prevent price squeeze**

<p>USPA 6.1</p>	<p>Unless <u>OFCOM</u> direct otherwise, the <u>universal service provider</u> shall in setting prices be subject to the requirement to take all reasonable steps to ensure that it:</p> <p><b>(a)</b> maintains a minimum margin between the retail prices of the <u>Relevant Retail Services</u> and the access charges for the <u>Relevant Access Services</u> during the <u>Relevant Period</u> in accordance with USPA 6.2 to USPA 6.5 below; and</p> <p><b>(b)</b> maintains a minimum margin in relation to every individual contract between the retail price of the <u>Relevant Retail Service</u> and the access charge for the <u>Relevant Access Service</u> during the <u>Relevant Period</u> in accordance with USPA 6.2 to USPA 6.5 below.</p>
<p>USPA 6.2</p>	<p>In order to satisfy the requirements in USPA 6.1(a) and (b) to maintain a minimum margin, the <u>universal service provider</u> must have a reasonable expectation that:</p> <p><b>(a)</b> <u>Relevant Upstream Revenue</u> will be no less than <u>Relevant Upstream Costs</u> for the <u>Relevant Period</u>; and</p> <p><b>(b)</b> the <u>Relevant Upstream Revenue</u> for each individual contract for any <u>Relevant Retail Service(s)</u> will be equal to or more than 50% of the <u>Relevant Upstream Cost</u> for that individual contract for the <u>Relevant Period</u>.</p>
<p>USPA 6.3</p>	<p><u>Relevant Upstream Revenue</u> should be calculated by deducting <u>Relevant Downstream Revenue</u> from <u>Relevant End to End Revenue</u> where:</p> <p><b>(a)</b> <u>Relevant End to End Revenue</u> is the revenue that the <u>universal service provider</u> earns from the supply of <u>Relevant Retail Services</u> during the <u>Relevant Period</u>; and</p> <p><b>(b)</b> <u>Relevant Downstream Revenue</u> is calculated by multiplying the average price per unit charged by the <u>universal service provider</u> for <u>Relevant Access Services</u> by volume during the <u>Relevant Period</u>.</p>

<p>USPA 6.4</p>	<p><u>Relevant Upstream Costs</u> should be calculated by deducting <u>Relevant Downstream Costs</u> from <u>Relevant End to End Costs</u> where:</p> <p>(a) <u>Relevant Downstream Costs</u> are the costs (not including recoverable or unrecoverable Value Added Tax) attributed to the provision of <u>Relevant Access Services</u> as calculated in accordance with <u>Royal Mail's Costing Manual</u>, subject to <u>Directed Adjustments</u> that <u>OFCOM</u> may direct from time to time; and</p> <p>(b) <u>Relevant End to End Costs</u> are the total costs (not including recoverable or unrecoverable Value Added Tax) of providing the <u>Relevant Retail Services</u> on an end to end basis as calculated in accordance with <u>Royal Mail's Costing Manual</u>.</p> <p>Unless <u>OFCOM</u> otherwise direct, the value of <u>Directed Adjustments</u> shall be zero.</p> <p>In calculating 6.4(a) and 6.4(b) the <u>universal service provider</u> should exclude <u>Downstream Costs</u> to the extent that those <u>Downstream Costs</u> relate to activities which are common to both <u>Relevant Access Services</u> and <u>Relevant Retail Services</u>, or are incurred in a directly comparable manner between <u>Relevant Access Services</u> and <u>Relevant Retail Services</u>.</p>
<p>USPA 6.5</p>	<p>The <u>Relevant Period</u> during which the minimum margin referred to in USPA 6.1(a) and 6.1(b) above shall be maintained is twelve months.</p>
<p>USPA 6.6</p>	<p>The <u>universal service provider</u> shall set prices for the <u>Relevant Retail Services</u> and the <u>Relevant Access Services</u> at the start of each <u>Relevant Period</u> or at any point within the <u>Relevant Period</u> on the basis of a forecast of the costs and volumes for that period.</p>
<p>USPA 6.7</p>	<p>The <u>universal service provider</u> shall be required to provide the following information at the start of the first <u>Relevant Period</u> and thereafter on a quarterly basis:</p> <p>(a) Details of forecast and actual <u>Relevant Upstream Costs</u> and <u>Relevant Upstream Revenues</u> for the <u>Relevant Period</u>;</p> <p>(b) With respect to each <u>Relevant Contract</u> for <u>Relevant Retail Services</u> that the <u>universal service provider</u> has entered into during the previous quarter or that has been materially amended during that quarter, the following information:</p> <ol style="list-style-type: none"> <li>i. prices;</li> <li>ii. volumes;</li> <li>iii. date that the <u>Relevant Contract</u> was signed or most recently materially amended;</li> <li>iv. length of the <u>Relevant Contract</u> if applicable; and</li> </ol>

	<p>(c) such other information as <u>OFCOM</u> considers necessary in order to enable it to ensure compliance with the requirements of USPA 6.</p>
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**6A. Restrictions on pricing under a Zonal Access Contract**

USPA 6A.1	<p>Except in so far as <u>OFCOM</u> may from time to time direct or otherwise consent in writing, this USPA 6A shall apply to—</p> <p>(a) any new provision of <u>D+2 Access</u> in accordance with USPA 2.1 under any <u>Zonal Access Contract</u>; and</p> <p>(b) any provision of <u>D+2 Access</u> in accordance with USPA 2.1 on terms and conditions amounting, or equivalent, to a <u>Zonal Access Contract</u> as already entered into between the <u>universal service provider</u> and a <u>D+2 Access Operator</u> at the time that this USPA 6A enters into force.</p>
USPA 6A.2	<p>The <u>universal service provider's Core Charges</u> in respect of which this USPA 6A applies must be no more and no less than (“<b>equal</b>”) to the amounts derived from applying the following ratios in respect of each <u>Core Charge</u> for a <u>D+2 Access Service</u>—</p> <p>where a <u>Mailing Item</u> is a <u>Letter</u>—</p> <p>(a) <math>\frac{C_u}{C_s}</math> must equal (to two decimal places) <math>\frac{FAC_{u\Delta}}{FAC_{s\Delta}}</math>;</p> <p>(b) <math>\frac{C_u}{C_r}</math> must equal (to two decimal places) <math>\frac{FAC_{u\Delta}}{FAC_{r\Delta}}</math>; and</p> <p>(c) <math>\frac{C_u}{C_l}</math> must equal (to two decimal places) <math>\frac{FAC_{u\Delta}}{FAC_{l\Delta}}</math>;</p> <p>where a <u>Mailing Item</u> is a <u>Large Letter</u>—</p> <p>(a) <math>\frac{C_u}{C_s}</math> must equal (to two decimal places) <math>\frac{FAC_{u\Delta}}{FAC_{s\Delta}}</math>;</p> <p>(b) <math>\frac{C_u}{C_r}</math> must equal (to two decimal places) <math>\frac{FAC_{u\Delta}}{FAC_{r\Delta}}</math>; and</p> <p>(c) <math>\frac{C_u}{C_l}</math> must equal (to two decimal places) <math>\frac{FAC_{u\Delta}}{FAC_{l\Delta}}</math>.</p>
USPA 6A.3	<p>The <u>universal service provider</u> must comply with any direction given by <u>OFCOM</u> from time to time under this USPA 6A.</p>

**6B. Restrictions on pricing under a National Access Contract**

<p>USPA 6B.1</p>	<p>Except in so far as <u>OFCOM</u> may from time to time direct or otherwise consent in writing, this USPA 6B shall apply to—</p> <p>(a) any new provision of <u>D+2 Access</u> in accordance with USPA 2.1 under any <u>National Access Contract</u>; and</p> <p>(b) any provision of <u>D+2 Access</u> in accordance with USPA 2.1 on terms and conditions amounting, or equivalent, to a <u>National Access Contract</u> as already entered into between the <u>universal service provider</u> and a <u>D+2 Access Operator</u> at the time that this USPA 6A enters into force.</p>
<p>USPA 6B.2</p>	<p>The <u>universal service provider</u>'s <u>Core Charges</u> in respect of which this USPA 6B applies must be no more and no less than (“<b>equal</b>”) to the amounts derived from applying the following formulas in respect of each <u>Core Charge</u> for a <u>D+2 Access Service</u>—</p> <p>where a <u>Mailing Item</u> is a <u>Letter</u>—</p> $\frac{C_N \text{ must equal (to one decimal place):}}{(V_{u\Delta} * C_u) + (V_{s\Delta} * C_s) + (V_{r\Delta} * C_r) + (V_{l\Delta} * C_l)}{(V_{u\Delta} + V_{s\Delta} + V_{r\Delta} + V_{l\Delta})}$ <p>where a <u>Mailing Item</u> is a <u>Large Letter</u>—</p> $\frac{C_N \text{ must equal (to one decimal place):}}{(V_{u\Delta} * C_u) + (V_{s\Delta} * C_s) + (V_{r\Delta} * C_r) + (V_{l\Delta} * C_l)}{(V_{u\Delta} + V_{s\Delta} + V_{r\Delta} + V_{l\Delta})}$
<p>USPA 6B.3</p>	<p>The <u>universal service provider</u> must comply with any direction given by <u>OFCOM</u> from time to time under this USPA 6B.</p>

**7. Requirement to publish and notify charges, terms and conditions**

<p>USPA 7.1</p>	<p>Except in so far as <u>OFCOM</u> may otherwise consent in writing, the <u>universal service provider</u> shall publish and notify charges, terms and conditions and act in the manner set out below.</p>
<p>USPA 7.2</p>	<p>The <u>universal service provider</u> shall:</p> <p>(a) publish a set of the current <u>Standard Terms and Conditions</u> in such manner as will ensure reasonable publicity for them within</p>

	<p>one month of the date that this <u>USPA Condition</u> enters into force; and</p> <p><b>(b)</b> thereafter ensure that the set of <u>Standard Terms and Conditions</u> that has been made publicly available is updated promptly following any amendments that are made to the <u>Standard Terms and Conditions</u>.</p>
<p>USPA 7.3</p>	<p>The <u>universal service provider</u> shall be subject to the following publication and notification requirements for any amendments to its charges for the provision of <u>D+2 Access</u>:</p> <p><b>(a)</b> The <u>universal service provider</u> shall send to every person with which it has entered into a <u>D+2 Access Contract</u> a written notice of any amendment to the charges under the <u>D+2 Access Contract</u>. The <u>universal service provider</u> shall provide a minimum of ten weeks' notice of any amendments to such charges or any other shorter period of notice agreed between the <u>universal service provider</u> and <u>D+2 Access Operators</u>; and</p> <p><b>(b)</b> At the same time as the <u>universal service provider</u> sends the written notice of amendments to charges, it shall publish the amendments to those charges in such manner as will ensure reasonable publicity for them.</p>
<p>USPA 7.4</p>	<p>The <u>universal service provider</u> shall be subject to the following publication and notification requirements for any amendments to the <u>Standard Terms and Conditions</u> other than amendments to charges:</p> <p><b>(a)</b> Where amendments to the <u>Standard Terms and Conditions</u> have been made with the prior consent of the <u>D+2 Access Operators</u>, the <u>universal service provider</u> shall publish those amendments in such manner as will ensure reasonable publicity for them. Such publicity shall take place no less than ten weeks before the date on which the amendment is due to take effect or any other shorter period prior to that date agreed between the <u>universal service provider</u> and <u>D+2 Access Operators</u>; and</p> <p><b>(b)</b> Where amendments to the <u>Standard Terms and Conditions</u> do not require the prior consent of the <u>D+2 Access Operators</u>, the <u>universal service provider</u> shall:</p> <p>(i) provide every D+2 Access Operator with which it has entered into a D+2 Access Contract a written notice of the amendment to the Standard Terms and Conditions (an "Access Terms and Conditions Change Notice");</p> <p>(ii) provide sufficient notice of the amendment to the <u>Standard Terms and Conditions</u> as set out in the <u>Access Terms and Conditions Change Notice</u> as meets the reasonable needs of access users; and</p>

	<p>(iii) publish those amendments in such manner as will ensure reasonable publicity for them. Such publication shall take place no less than ten weeks before the date on which the amendment is due to take effect or any other shorter period prior to that date agreed between the <u>universal service provider</u> and <u>D+2 Access Operators</u>.</p>
<p>USPA 7.5</p>	<p>For the purposes of determining what a sufficient period of notice is, the <u>universal service provider</u> shall be required to publish a statement within one month of the date that this <u>USPA Condition</u> enters into force setting out the different periods of notice that will apply to the different categories of <u>Standard Terms and Conditions</u> that it is entitled to amend without the prior consent of <u>D+2 Access Operators</u> (a “Statement of Notice”). Where the <u>universal service provider</u> amends the periods of notice set out in the <u>Statement of Notice</u>, it shall take into account the reasonable needs of <u>D+2 Access Operators</u> and shall provide one month’s notice of any such amendments. <u>OFCOM</u> reserve the right to direct the <u>universal service provider</u> to amend the period of notice for any category of amendment to <u>Standard Terms and Conditions</u>.</p>
<p>USPA 7.6</p>	<p>The <u>universal service provider</u> shall ensure that an <u>Access Terms and Conditions Change Notice</u> includes:</p> <ul style="list-style-type: none"> <li>(a) a description of the <u>Standard Terms and Conditions</u> that are the subject of the amendment(s);</li> <li>(b) the date on which, or the period for which, the amendment(s) to the <u>Standard Terms and Conditions</u> will take effect (the “effective date”); and</li> <li>(c) the current and proposed new <u>Standard Terms and Conditions</u> affected by the amendment(s).</li> </ul>
<p>USPA 7.7</p>	<p>The <u>universal service provider</u> shall not apply any new Standard Term and Condition identified in an <u>Access Terms and Conditions Change Notice</u> before the effective date.</p>
<p>USPA 7.8</p>	<p>The <u>universal service provider</u>’s obligations for prior notification and publication set out in this USPA 7 will not apply:</p> <ul style="list-style-type: none"> <li>(a) where the new or amended charges or terms and conditions are directed or determined by <u>OFCOM</u> or are required by a notification or enforcement notification issued by <u>OFCOM</u> under Schedule 7 of the <u>Act</u>; or</li> <li>(b) to any amendments to charges, terms or conditions that have been individually negotiated between the <u>universal service provider</u> and an individual <u>D+2 Access Operator</u>.</li> </ul>

## **8. Quality of service**

USPA 8.1	The <u>universal service provider</u> shall publish all such information as is reasonably necessary for the purposes of securing transparency as to the quality of service in relation to <u>D+2 Access</u> provided by the <u>universal service provider</u> in an appropriate manner and form, or as <u>OFCOM</u> may otherwise direct.
USPA 8.2	The <u>universal service provider</u> shall comply with any direction <u>OFCOM</u> may make from time to time under USPA 8.1.

### ***Table of terms defined in the Act***

*This table is provided for information and does not form a part of this USPA Cecondition. We make no representations as to its accuracy or completeness. Please refer to the Act.*

<b>Defined term</b>	<b>Section of the Act</b>
<i>OFCOM</i>	s.90
<i>designated USP condition</i>	s.36
<i>postal network</i>	s.38(3)
<i>postal operator</i>	s.27(3)
<i>postal packet</i>	s.27(2)
<i>postal services</i>	s.27(1)
<i>universal service provider</i>	s.65(1) and Schedule 9, paragraph 3
<i>USP accounting condition</i>	s.39