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Dear Ros,

MUA RESPONSE TO POSTCOMM'S LICENSING FRAMEWORK CONSULTATION

Further to MUA's recent meeting with Postcomm on 2 February 2005, to discuss Postcomm's proposals for a licensing framework in a fully open market, please find below the key elements MUA members would wish to reiterate in writing.

1. Security of Mail

- MUA members would support Postcomm in their proposals to set basic minimum standards for the potential licensees during the application stage. However, when setting these minimum standards Postcomm must bear in mind smaller operations may find too onerous standards difficult to attain.
- MUA supports the view that in drawing up such a Code of Practice on Mail Integrity, Postcomm should not in any way define how licensed operators should run their own businesses.
- MUA members are not clear whether Royal Mail would be subject to the same code. Members are also not clear who would ultimately be tasked with implementing and enforcing the code.

2. Fitness and propriety of operators

- MUA members support Postcomm in their proposed checks and controls when evaluating a licensee's fitness and propriety, and implementation of a provision for the Regulator to revoke a license should circumstances change.

3. Financial guarantees

- MUA members recognise the need for some type of guarantee mechanism to ensure sufficient funds are available to deliver a failing company's mail 'in system', at point of cessation of business. MUA Members initial view is that bank or insurance guarantees may represent a considerable barrier to entry for small businesses, and that perhaps in such circumstances, an alternative provision should be made to allow businesses to propose alternative arrangements (either with Royal Mail or another licensed operator) to deal with any back log on their behalf.

- MUA members do not consider guarantees by companies, such as parent companies and associated companies of the licensee should be of concern to Postcomm, providing such companies are able to prove they have sufficient financial reserves to fulfil the agreed obligation, and that an appropriate statutory instrument is in place to enforce settlement.

4. Application fee and Annual Licence Fees

- MUA members would support Postcomm's proposals to make provision for a lower level of licence fee for smaller companies wishing to enter the market.

5. Performance Management Systems

- MUA members agree with Postcomm that in the spirit of encouraging competition and maintaining a light touch regime the Regulator should not determine what the standard of services offered by the licensees should be. Members recognise it would be difficult and impractical to propose a uniform industry standard as some customers may prefer a lower quality of service reflected in lower prices.
- MUA members agree information on how a licensee is meeting its performance targets (whatever these might be) and its complaints statistics should be readily available to all customers, but that they should only be required to provide this information on request and/or to post it on their websites.
- MUA members agree it is appropriate for Postcomm and Postwatch to retain the right to publish such information as and when they see necessary.
- MUA also believes it is important that licensees demonstrate the ability to put in place adequate performance monitoring and complaints handling systems from the outset.

6. Accounting Separation

- MUA members are in full agreement that Postcomm retains the right to review a licensee's postal activities to ensure accounting separation is maintained and cross subsidization does not occur.

7. Common Operational Issues (Interoperability)

- MUA members agree with Postcomm that with the UK mail market increasingly moving towards a multi-operator environment, it entirely appropriate to put in place a Code of Practice for Common Operational Issues.
- Members are, however, concerned with the timescale for the introduction of such a code, given that it must be up and running by the end of 2005.

In summation, MUA shows general support for Postcomm' s proposals to introduce industry codes of practice for mail integrity and common operational issues. Members look forward to working closely with the regulator on these issues in the future.

Should you wish to discuss any of the afore mentioned issues in greater detail, do not hesitate to contact me on one of the above numbers.

With best regards,

Jeremy Partridge
Executive Director
Mail users' Association