

Appendix A: Notice of licence modifications

POSTAL SERVICES ACT 2000

SECTION 14

MODIFICATIONS TO THE LICENCE OF ROYAL MAIL GROUP LIMITED

Whereas-

1. Royal Mail Group Limited, company number 4138203, having its registered office at 100 Victoria Embankment, London EC4Y 0HQ ("Royal Mail"), is the holder of a licence (the "Licence") granted by the Postal Services Commission (the "Commission") under section 11 of the Postal Services Act 2000 (the "Act") on 23 March 2001, as amended most recently on 29 March 2011.
2. As part of its work to introduce changes to the regulatory framework for the postal services market to take effect from April 2011, Postcomm published on 8 November 2010 its decision document including four supporting annexes (the "November Document") setting out its decisions (including 'minded to' decisions) and some further proposals in light of responses to its consultation documents published in May and June 2010.
3. Postcomm published on 22 February 2011 its final decisions on the price control and access and certain further matters relating to cost transparency and accounting separation (the "February Document") and a notice of the statutory consultation relating to the proposed modifications to Conditions 1, 2, 4, 7, 15 and 21 of the Licence (the "Notice").
4. Postcomm has considered the representations made in accordance with the Notice and not withdrawn, and has concluded that the following licence modifications should be made.
5. Postcomm has not been directed not to make the modifications.
6. Royal Mail has agreed to the modifications in writing.

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In the exercise of its powers under Section 14 of the Postal Services Act 2000, Postcomm hereby modifies the Licence as follows-

Condition 1

1. Delete definition of “separate services”

In Part 2 of Schedule 2 to the Licence –

Condition 2

1. At the beginning of paragraph 3(a) insert “subject to paragraphs (aa) and (bb) below,” prior to the sentence that continues “provide the services numbered”
2. Insert after paragraph 3(a) the following sub-paragraphs –
 - “(aa) in Formula Year $t = 6$ provide the services numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 14, 15, 16, 17 and 18 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
 - (bb) in Formula Year $t = 6$, provide the services numbered 22, 23, 36 and 37 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, for the avoidance of doubt, for the purposes of this Condition (and Condition 4) the weight limitations for such Controlled Services referred to in Condition 38(a) shall not apply; and”

In Part 3 of Schedule 2 to the Licence –

Condition 4

1. Insert into paragraph 8(e), following “provision of Controlled Services 39 to 45” and prior to the text that reads “in the manner provided”, the following text –

“and where $t = 6$ 39 to 51 and for each variant of the Controlled Services 46 to 51 including the Walksort service in the Controlled Services 46, 48 and 50,”
2. Insert into paragraph 9(e) after “in respect of Controlled Services 39 to 45” and before the text that reads “in terms of the percentage of letters” the following text –

“, and where $t = 6$ 39 to 51 and for each variant of the Controlled Services 46 to 51 including the Walksort service in the Controlled Services 46, 48 and 50,”.
3. Delete and replace the table in Note 1 of the Annex to Condition 4 with the following:

Scheduled services referred to in table above	Generic products	Controlled services	Controlled Services where $t = 6$
Retail first class	Stamped and metered	1, 2	1, 2

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	1c		
Retail second class	Stamped and metered 2c	3, 4	3, 4
Standard parcel	Standard parcel	5	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	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	14
Bulk 1	PPI 1c	12, 15, 16, 31, 33	12, 15, 16, 26, 28
	Mailsort 1	19, 20, 23, 25, 26, 35	19, 20, 20A, 20B, 21, 22, 23, 30
	Presstream 1	29	24
	Response services 1	10	10
Bulk 2	PPI 2c	13, 17, 18, 32, 34	13, 17, 18, 27, 29
	Mailsort 2	21, 22, 24, 27, 28, 36	33, 34, 34A, 34B, 35, 36, 37, 38
	Response Services 2	11	11
	Presstream 2	30	25
Bulk 3	Mailsort 3	37, 38	31, 31A, 31B, 32

4. Insert as a footnote at number “1” in the “Controlled Services where t = 6” column of the table in Note 1 of the Annex to Condition 4, the following –
“Stamped mail and Smart stamp only.”
5. Insert as a footnote at number “3” in the “Controlled Services where t = 6” column of the table in Note 1 of the Annex to Condition 4, the following –
“Stamped mail and Smart stamp only.”
6. Insert as a footnote at number “10” in the “Controlled Services where t = 6” column of the table in Note 1 of the Annex to Condition 4, the following –
“Excluding Freepost name and Packetpost Returns.”

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7. Insert as a footnote at number “11” in the “Controlled Services where t = 6” column of the table in Note 1 of the Annex to Condition 4, the following –
- “Excluding Freepost name and Packetpost Returns.”

Condition 7

1. In paragraph 2, in sub-paragraph (d) replace “16” with “19”.
2. In paragraphs 2 and 3, replace “paragraph 5” with the text “paragraphs 5 to 7”.
3. Insert, after paragraph 4, the following new paragraphs 5 and 6:
 - “5. In relation to new licensed or non-licensed services:
 - (a) If the Licensee intends to offer any new licensed or non-licensed service, the Licensee shall, not less than 3 months before such offer is intended to come into effect, submit to Postcomm,:
 - (i) the information required in the statement to be provided pursuant to paragraph 2 above, as applicable; and
 - (ii) a statement providing sufficient information of good quality to enable Postcomm to assess the matters referred to in 1. and 2. below (“Formal Statement”), and in particular the Licensee must:
 1. indicate the relevant market or market segment to which, in the Licensee’s view, the new licensed or non-licensed service belongs and the extent to which it should be subject to Condition 7 and Condition 21, including the reasons for the Licensee’s view; and
 2. indicate, where appropriate, the applicable Reference Service (which will determine the applicable price differential) for the purposes of the application of Condition 21.
 - (b) The Licensee shall submit to the Council, and publish, the statement required under paragraph 2 above in such manner as will ensure reasonable publicity for it, in accordance with the following:
 - (i) where Postcomm has previously determined the relevant market or market segment (for the purposes of (a)(ii)1. above) to be one in which the Licensee does not have market power, submission to the Council and publication shall be undertaken in a manner consistent with the obligations imposed under the Direction made by Postcomm on 30 March 2011;
 - (ii) in all other circumstances, submission to the Council and publication will be not less than 3 months before the offer to provide the new licensed or non-licensed service is intended to come into effect.
 - (c) The Formal Statement will be subject to assessment by Postcomm, the result of such assessment to be confirmed by Direction.
 - (d) The Licensee may submit to the Council, and publish, the statement required under paragraph 2 above in such manner as will ensure reasonable publicity for it, in accordance with (b)(i) and (ii) above, before Postcomm has confirmed its assessment in accordance with (c) above.
 - (e) Where, under (c) above, Postcomm does not confirm the matters set out in the Formal Statement, the Licensee will be required to submit and publish the statement required under paragraph 2 above in such manner as will ensure

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reasonable publicity for it in accordance with Postcomm's Direction (pursuant to (c) above) and in accordance with the submission and publication requirements set out in that Direction, but this need not extend the submission and publication period already given unless Postcomm so directs.

6. Except as Postcomm after consultation may by direction determine, paragraph 5 shall not apply to:
 - (a) trials which remain subject to the obligations imposed pursuant to the direction made by Postcomm on 16 August 2007; and
 - (b) the Licensee's Tailor Made Incentives which remain subject to the obligations imposed pursuant to the direction made by Postcomm on 17 November 2009.
4. Insert as "footnote 3", at paragraph 5(a)(ii)(2), after "Reference Service" and before "(which will determine" the following –

"As defined in paragraph 38(a) of Condition 21."
5. Insert as "footnote 4", at paragraph 5(a)(ii)(2), after "price differential" and before ")" for the purposes of" the following –

"Represented as the term " md_{cit} " as defined in paragraph 5(c) of Condition 21."
6. Insert as "footnote 5", at paragraph 5(b)(i), after "on 30 March 2011" the following –

"Direction made on 30 March 2011 in relation to licensed and non-licensed services offered, or intended to be offered, in markets where Postcomm has found Royal Mail Group Limited does not have market power."
7. Re-number paragraph 5 as paragraph 7.
8. In paragraph 7 replace "paragraphs 2 and 3" with "paragraphs 2, 3 and 5".
9. In paragraph 7(b) delete "and to the Council."

In Part 5 of Schedule 2 to the Licence –

Condition 15

1. Delete entire Condition including the title and replace with the following –

"Condition 15: Cost transparency and accounting separation"

Obligation to produce financial reporting documentation

1. The Licensee shall –
 - (a) maintain appropriate accounting and financial records in accordance with this condition,
 - (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 licensed or non-licensed service or any part of such a service maintains appropriate financial and accounting records,
 - (c) produce the Costing Manual as referred to in paragraph 6,

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- (d) prepare and submit the regulatory financial statements in accordance with paragraph 17.
2. Save to the extent that Postcomm has by direction in writing agreed otherwise, the records referred to in paragraph 1 shall –
 - (a) comply fully with the Costing Methodology Guiding Principles and the Methodological Principles,
 - (b) be such that if each of the Existing Services was carried on by a separate company incorporated under the Companies Act 2006, each of those companies would comply with subsections 386 (1), (2) and (3) of that Act, and
 - (c) be kept for a period of six years.
3. The Costing Methodology Guiding Principles are as set out in Schedule 1 to this condition.
4. The Methodological Principles shall be those published by Postcomm which shall be in substantially the same form as set out in Appendix B of Annex 2 of the November Decision.
5. The Methodological Principles may only be changed in accordance with the process set out in paragraphs 11 to 14.
6. The Licensee shall produce and provide to Postcomm the Costing Manual.
7. Postcomm, upon receipt of the Costing Manual, shall confirm whether it complies with the Costing Methodology Guiding Principles and the Methodological Principles as required by paragraph 8. Where Postcomm identifies any areas where the Costing Manual prepared by the Licensee under paragraph 6 does not comply with the requirements of paragraph 8, the Costing Manual will be deemed to comply with the requirements of paragraph 8 if the Licensee gives undertakings in a form satisfactory to Postcomm that any such areas of non-compliance will be resolved in a reasonable time and the Licensee meets the terms of such undertakings.
8. The Costing Manual shall set out the Costing Methodology and shall comply with the Costing Methodology Guiding Principles and the Methodological Principles.
9. The Costing Manual may only be changed in accordance with the process set out in paragraph 15 or in order to fulfil any undertaking given under paragraph 7 and the Licensee shall provide the initial audit statement referred to in paragraph 15(j) in respect of the financial year ended March 2012.
10. The Licensee shall publish the Costing Manual on its website and shall otherwise make physical copies available to third parties for a reasonable charge and upon reasonable request and shall permit Postcomm to publish the Costing Manual on its website, in the form required by Postcomm upon direction in writing.

Change control – Methodological Principles

11. Both the Licensee and Postcomm may propose changes to the Methodological Principles.

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12. On application by the Licensee for a change to the Methodological Principles the Licensee must provide the following information to Postcomm:
 - (a) a full explanation as to how the proposed change complies with the Costing Methodology Guiding Principles together with such other supporting evidence as Postcomm considers necessary, and
 - (b) an adequate description of the likely consequential effects on the Costing Manual.
13. Subject to paragraph 14, no change to the Methodological Principles may be implemented without prior consultation with interested parties and the Licensee's consent. Any such change will be made by Postcomm by direction in writing which shall be published.
14. Where Postcomm and the Licensee agree that the impact of a proposed change is minor, Postcomm may implement the change by direction in writing which shall be published.

Change control – Costing Manual

15. Except as provided in paragraph 9 the Licensee may only modify the Costing Manual in accordance with the following procedure:
 - (a) For the purposes of this paragraph 15, a “Material Change” has the meaning given to it by paragraph 16,
 - (b) Except as otherwise provided in sub-paragraph (e) below, the Licensee shall notify to Postcomm any change which amounts to a Material Change and shall not implement such change unless and until Postcomm so directs in accordance with sub-paragraph (g). In support of such notification and subject to sub-paragraph (d), the Licensee shall provide Postcomm with an impact assessment in a form as agreed with Postcomm (agreement which shall not be unreasonably withheld) in respect of such proposed change.
 - (c) The impact assessment referred to in sub-paragraph (b) shall, unless Postcomm agrees otherwise in writing, include an assessment of the consequential financial changes (had the proposed change been made before the start of the relevant financial periods) in the regulatory financial statements provided to Postcomm in accordance with paragraph 17 (as applicable) for the previous financial year and any previous quarterly reports (if any) of the current financial year and any other period which the Licensee considers appropriate. The Licensee may undertake such impact assessments at the level of the relevant Sales Product where appropriate.
 - (d) The Licensee shall not, in respect of Material Changes arising from the introduction of a new, or deletion of an existing, Activity or SPHCC (other than SPHCCs to which sub-paragraph (e) applies) which has a consequential financial effect of less than £0.5m, be required to provide the impact assessment referred to in sub-paragraph (b) above provided that sub-paragraphs (f) to (j) continue to apply.
 - (e) If at the end of a quarter in any financial year it becomes apparent to the Licensee that new SPHCCs have been used during that quarter without the processes in this paragraph 15 being followed, the Licensee shall:

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- i promptly (and in any event within 42 days from the end of that quarter) provide a list of all such SPHCCs to Postcomm but shall be permitted to make such changes to the Costing Manual to reflect the new SPHCCs; and
- ii within 50 days of the end of the quarter provide the relevant impact assessments referred to in sub-paragraph (b) in relation to all such new SPHCCs which have a consequential financial effect of £0.5m or more.

Upon Postcomm confirming to the Licensee that it has received all such information, Postcomm shall have 7 days to inform the Licensee of the matters referred to in sub-paragraph (f) and sub-paragraphs (g) and (h) shall apply provided that if an inconsistency is identified under sub-paragraph (h) the Licensee shall have 14 days to remedy such non-compliance from the date on which it receives the relevant notification.

- (f) Upon Postcomm confirming to the Licensee that it has received all the information referred to in sub-paragraph (b), Postcomm shall have 28 days (provided that Postcomm may extend this period to 42 days in cases it reasonably considers to be complex) to inform the Licensee:
 - i whether Postcomm considers the proposed change amounts to a Material Change; and
 - ii if so, whether the proposed change is consistent with the Costing Methodology Guiding Principles and the Methodological Principles.
 - (g) If Postcomm finds that a proposed change is consistent with the Costing Methodology Guiding Principles and the Methodological Principles it shall promptly give its consent to the proposed change by direction in writing and in any event no later than the time period permitted under sub-paragraph (e) or (f) as applicable.
 - (h) If Postcomm finds that a proposed change is inconsistent with any of the Costing Methodology Guiding Principles or the Methodological Principles, it shall promptly notify the Licensee and provide reasons for its decision and in any event no later than the time period permitted under sub-paragraph (e) or (f) as applicable.
 - (i) Without prejudice to sub-paragraph (e), changes which the Licensee considers do not amount to Material Changes may be made without Postcomm's prior consent provided that any such changes made to the Costing Manual during a particular quarter are notified to Postcomm not later than 42 days after the date on which the relevant quarter ended.
 - (j) As part of its annual regulatory reporting, the Licensee shall provide an Assurance Statement to confirm that all changes it has made to its Costing Manual have either been approved by Postcomm in accordance with sub-paragraph (g) or were not Material Changes.
16. For the purposes of paragraph 15, a "Material Change" means any change to which Principle 17(b) of the Methodological Principles applies, such that:
- (a) the numerical consequence of any such change exceeds the threshold for materiality set out in Principle 17(b) of the Methodological Principles; or
 - (b) that change is a Connected Change in relation to other changes that have been made or the Licensee is planning to make in the relevant quarter or has made

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during the previous quarter (in the same financial year), and the combined value of which exceeds the threshold for materiality set out in Principle 17(b) of the Methodological Principles.

Accounting separation – Existing Services

17. Save to the extent that Postcomm agrees otherwise by direction in writing, the Licensee shall, in respect of the financial year beginning on 28 March 2011 and each financial year thereafter, produce an income statement, balance sheet and cash flow statement for each of the Existing Services.
18. The Licensee shall submit the regulatory financial statements referred to in paragraph 17 to Postcomm before the expiry of four months from the end of the financial year to which they relate and shall publish, and permit Postcomm to publish, such accounts.
19. The regulatory financial statements referred to in paragraph 17 shall include 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 2006.

Additional accounting separation

20. The obligations in paragraphs 20 to 21 apply only for the financial year beginning 28 March 2011 and shall terminate on the later of the date four months from the end of such financial year or the delivery of the agreed regulatory financial statements.
21. The Licensee shall produce and provide to Postcomm the regulatory financial statements, and fulfil the related obligations, as set out in the Accounting Separation Commitments.
22. The Accounting Separation Commitments may be changed by written agreement between Royal Mail and Postcomm.

Audit

23. The Licensee shall cause the following records and accounts to be audited annually by Auditors, as follows:
 - (a) in the case of the accounts referred to in paragraph 17, the Auditors shall be required to report on:
 - i the compliance of such accounts with the requirements of this condition (as applicable),
 - ii whether such accounts fairly present the financial situation of each of the Existing Services for the financial year and at the time to which they relate and have been properly prepared in accordance with the requirements of this condition, and
 - (b) in the case of the Costing Manual, the Auditors shall be required to provide the Assurance Statement in relation to the matters referred to in paragraph 15(j).

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24. The Auditor's report required under paragraph 23 shall be furnished by the Licensee to Postcomm within four months of the end of the financial year to which it relates.
25. In this Condition and Schedule 1 to this Condition–

Accounting Separation Commitments	means the letter to be dated on or about 30 March 2011 from Royal Mail in which it agrees to provide certain regulatory financial information and to follow certain processes in relation to the production of such information
Activity	means a task (whether operational or non operational) which is required to be carried out in order to complete a process which relates to the conveyance of postal packets.
Assurance Statement	means a statement prepared by the Auditors (following sampling) confirming that the Licensee has complied with the processes set out in paragraphs 15 and 16 of this Condition 15.
Auditors	means competent independent auditors appointed by the Licensee with the approval of Postcomm.
Connected Change	means any change to the Costing Manual which when taken together with one or more other changes to the Costing Manual could reasonably be considered by Postcomm to amount substantively to a single change to the Costing Manual that would be considered to be a Material Change.
Costing Manual	means the detailed description of the Costing Methodology and all sources of data used or referred to in it, as amended from time to time, and for the avoidance of doubt, shall address the matters set out in Postcomm's supplementary consultation on cost transparency and accounting separation published on 25 June 2010 which were confirmed in Annex 2 of the November Decision.
Costing Methodology	means the rules, policies, procedures, methods, models (including tables, matrices, mappings, lists of accounts, codes and cost structures), calculations, algorithms, concepts, assumptions (including a description of any evidence underlying such assumptions) and any other processes used by the Licensee to assign costs incurred by RML to services provided by RML, and as may otherwise be required for the preparation of the regulatory financial statements required under this Condition.

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Costing Methodology Guiding Principles	means the principles set out in Schedule 1 to this Condition.
Existing Services	means the following services: (i) each of the licensed services, (ii) each of the non-licensed services which are part of a universal postal service, (iii) each of the 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.
Material Change	has the meaning given to it by paragraph 16 of this Condition.
Methodological Principles	means the general methods and concepts to be applied in obtaining, processing and assigning costs incurred by RML to services provided by RML, as amended from time to time.
November Decision	means the decisions, minded to decisions and other proposals set out in Postcomm's publication entitled "Laying the foundations for a sustainable postal service" which was published on 08 November 2010.
RML	[means Royal Mail Letters, the business division of the Licensee that currently has that designation and which is principally responsible for providing licensed and non-licensed services and includes any successors to that division. For the avoidance of doubt "Royal Mail Letters" excludes the business division of the Licensee known as ParcelForce Worldwide or any successors to that division].
Sales Product	means the products and services provided by RML as described on Royal Mail's website.
SPHCC	means Sales Product Handling Characteristic Combinations and more specifically those products whose sub-division is based upon the relevant measured characteristics (e.g. class, payment type, item size and handling method).

Schedule 1 to Condition 15

Costing Methodology Guiding Principles

If there is conflict between the requirements of any of the Guiding Principles, the Principles are to be applied in the order in which they appear below.

1. Compliance with the European Postal Services Directive

The Costing Methodology must comply with the European Postal Services Directive.

2. Completeness

The Costing Methodology must take into account all the relevant RML costs captured in Royal Mail's financial records including all the relevant costs recorded in Royal Mail Letters' General Ledger.

The Costing Methodology must cost all Sales Products.

3. Causality

The Costing Methodology must assign General Ledger costs to Activities that cause those costs to be incurred.

The Costing Methodology must assign Activity Costs to those Sales Products that are provided as a result of, or are supported by, those Activities.

4. Objectivity

Each element of the Costing Methodology must, as far as possible, be based on, or take account of all the available financial and operational data that is relevant to that element.

Where an element of the Costing Methodology is based on assumptions, those assumptions must be justified and supported, as far as possible, by all available relevant empirical data. The assumptions must not be formulated in a manner which unfairly benefits Royal Mail Letters or any other operator, or creates undue bias towards any Sales Product or Activity.

5. Accuracy

The Costing Methodology must maintain an adequate degree of accuracy throughout the costing process in both extracting and processing data.

An adequate degree of accuracy means the costing process is free from material errors, including any double-counting (see Principle 9 for the definition of materiality).

6. Compliance with the International Financial Reporting Standards (IFRS)

The Costing Methodology must comply with IFRS, to the extent that Royal Mail's statutory accounts comply with IFRS, with the exception of any departure from IFRS in the preparation of those statutory accounts which is expressly disclosed in the statutory accounts.

7. Consistency

The Methodological Principles must be consistent with the Guiding Principles.

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The Costing Methodology (as documented in the Costing Manual) must be consistent with the Methodological Principles.

As far as possible, the Costing Methodology must be applied to all elements of costing consistently. All differences in application must be justified by reference to the Methodological Principles or Guiding Principles.

As far as possible, the Costing Methodology must be applied consistently over time. All changes from one period to another must be justified in accordance with the change control procedures, and by reference to the Methodological Principles or changes in them, or by reference to the Guiding Principles.

8. Transparency

The Methodological Principles must be published by Royal Mail. The detailed Costing Methodology must be clearly documented in Royal Mail's Costing Manual. The Costing Manual must contain the level of detail necessary to allow a user of the Costing Manual, with a reasonable degree of professional skill, to gain a clear understanding of a given calculation carried out through the application of the Costing Methodology without the need for further instruction or interpretation.

9. Materiality

The Guiding Principles 1 to 8 must be applied to all material costs, or material changes in costs.

A material cost, or a material change in a cost, is one which is reasonably expected to affect the views of a competent user of Royal Mail Letters' regulatory reports and costing results."

In Part 8 of Schedule 2 to the Licence –

Condition 21

1. Delete "A, B and Access services" in the heading of paragraph 5
2. Insert at paragraph 5, after "Formula Year $t = 0$ " and before "it sets prices for the Controlled Services" the following text –
 ", and at any time during each Formula Year prior to making any material changes to its prices,"
3. Delete from paragraph 5 the text "in each of Baskets A and B"
4. Insert into paragraph 5(a), after "Baskets A and B", the following text–
 ", and where $t = 6$ for Basket C"
5. Insert into paragraph 5(b), immediately after "[subject to paragraph 5B]", the following text–
 ", and for Formula Years $t = 1$ to $t = 5$ "

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6. Insert a new paragraph, 5(c), after paragraph 5(b) as following–

“(c) where $t = 6$, in respect of the Controlled Services set out below, the following conditions are met –

$$cp_{ct} \geq Rp_{lt} + md_{ct}$$

where –

cp_{ct} is the price at a Price Point for the conveyance of postal packets by a Controlled Service or the equivalent Advertising Mail, Sustainable Mail or Advertising Sustainable Mail of the Controlled Service, c , reduced by the maximum amount of all discounts available at the time of determination irrespective of any qualification conditions for such discounts, and,

Rp_{lt} is the price at the same time for the same Price Point for the Controlled Service’s Reference Service, and includes the equivalent Advertising Mail, Responsible Mail and Advertising Responsible Mail, l , and save as Postcomm may by direction determine,

<i>c</i>			<i>l</i>		
33		Mailsort 120 OCR 2 nd Class	42		Access 120 OCR
34		Mailsort 120 CBC 2 nd Class	43		Access 120 CBC
34A		Mailsort 70 OCR 2 nd Class	44A		Access 70 OCR
34B		Mailsort 70 CBC 2 nd Class	44B		Access 70 CBC
35		Mailsort 700 CBC 2 nd Class	44		Access 700 CBC
36		Mailsort 1400 2 nd Class excluding Packets > 1kg	39		Access 1400 excluding Packets > 1kg
37		Mailsort 1400 Residues 2 nd Class excluding Packets > 1kg	40		Access 120 Letter
37		Mailsort 1400 Residues 2 nd Class excluding Packets > 1kg	41		Access 120 Flat & Packet excluding Packets > 1kg
38		Walksort 2 nd	45		Access

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		Class excluding Packets > 1kg			Walksort excluding Packets > 1kg
33	Advertising	Mailsort 120 OCR 2 nd Class	49	Advertising	Advertising Mech Access 120 OCR
34	Advertising	Mailsort 120 CBC 2 nd Class	49	Advertising	Advertising Mech Access 120 CBC
34A	Advertising	Mailsort 70 OCR 2 nd Class	49	Advertising	Advertising Mech Access 70 OCR
34B	Advertising	Mailsort 70 CBC 2nd Class	49	Advertising	Advertising Mech Access 70 CBC
36	Advertising	Mailsort 1400 2 nd Class excluding Packets > 1kg	48	Advertising	Advertising Manual Access 1400 excluding Packets > 1kg
37	Advertising	Mailsort 1400 Residues 2 nd Class excluding Packets > 1kg	48	Advertising	Advertising Manual Access 120 excluding Packets > 1kg
33	Sustainable	Mailsort 120 OCR 2 nd Class	47	Responsible	Responsible Mech Access 120 OCR
34	Sustainable	Mailsort 120 CBC 2 nd Class	47	Responsible	Responsible Mech Access 120 CBC
34A	Sustainable	Mailsort 70 OCR 2 nd Class	47	Responsible	Responsible Mech Access 70 OCR
34B	Sustainable	Mailsort 70 CBC 2nd Class	47	Responsible	Responsible Mech Access 70 CBC
35	Sustainable	Mailsort 700 CBC 2 nd Class	47	Responsible	Responsible Mech Access 700 CBC
36	Sustainable	Mailsort 1400 2 nd Class excluding Packets > 1kg	46	Responsible	Responsible Manual Access 1400 excluding Packets > 1kg
37	Sustainable	Mailsort 1400 Residues 2 nd Class excluding Packets > 1kg	46	Responsible	Responsible Manual Access 120 excluding

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					Packets > 1kg
33	Advertising Sustainable	Mailsort 120 OCR 2 nd Class	51	Advertising Responsible	Advertising Responsible Mech 120 OCR
34	Advertising Sustainable	Mailsort 120 CBC 2 nd Class	51	Advertising Responsible	Advertising Responsible Mech 120 CBC
34A	Advertising Sustainable	Mailsort 70 OCR 2 nd Class	51	Advertising Responsible	Advertising Responsible Mech 70 OCR
34B	Advertising Sustainable	Mailsort 70 CBC 2 nd Class	51	Advertising Responsible	Advertising Responsible Mech 70 CBC
36	Advertising Sustainable	Mailsort 1400 2 nd Class excluding Packets > 1kg	50	Advertising Responsible	Advertising Responsible Manual 1400 excluding Packets > 1kg
37	Advertising Sustainable	Mailsort 1400 Residues 2 nd Class excluding Packets > 1kg	50	Advertising Responsible	Advertising Responsible Manual 120 excluding Packets > 1kg

md_{clt} is the minimum price differential between cp_{ct} and Rp_{lt} within a weight band for each format and is set out below, save in relation to any other Controlled Service (or equivalent Advertising Mail, Sustainable Mail or Advertising Sustainable Mail) and Reference Service (or equivalent Advertising Mail, Responsible Mail and Advertising Responsible Mail) as otherwise determined by Postcomm by direction,

Weight band	Format			
	Letters	Large Letters	Packets	A3 Packets
0-100g	3p	5.5p	33p	8p
101-250g	N/A	5.5p	33p	8p
251-500g	N/A	5.5p	33p	8p
501-750g	N/A	5.5p	33p	8p
751g-1kg	N/A	N/A	33p	N/A

7. Insert, at paragraph 5(c), in the definition of " cp_{ct} " after "Controlled Service, c", as a footnote, the following –

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“Controlled Services not in Baskets A, B or C.”

8. Insert, at paragraph 5(c) in the definition of “ Rp_{it} ” after “Responsible Mail, l ”, as a footnote, the following –

“Controlled Services in Basket C.”

9. In sub-paragraph 4(a)(i) of paragraph 5A, insert “where $t < 6$,” before the formula

$$\sum_{z=A}^{z=D} GP_{\langle t, z \rangle} * GW_{\langle -2, z \rangle} = P_{\langle t \rangle}$$

10. In sub-paragraph 4(a)(i) of paragraph 5A, following the formula referred to in 9. above, insert the following –

“and where $t = 6$,

$$\sum_{z=A}^{z=D} GP_{\langle t, z \rangle} * GW_{\langle -1 * z \rangle} = \bar{P}_{\langle t \rangle}$$

$$P_{\langle t \rangle} * (-\mu) \leq \bar{P}_{\langle t \rangle} \leq P_{\langle t \rangle}$$

11. In sub-paragraph 4(a)(i) of paragraph 5A, before the text “ $p_{(s,t)}$ is the price for the same service” towards the end of the paragraph, insert the following –

“ $GW_{\langle t-1 * z \rangle}$ is the proportion delivered in GZone z in the 12 months up to September in Formula Year $t - 1$ of all inland addressed mail delivered through the Licensee’s delivery offices as measured by the Licensee’s Mail Characteristics Survey,

—
 $\bar{P}_{\langle t \rangle}$ is the weighted average price for the zonal prices of Controlled Service, s , and
 μ is 0.02”

12. In sub-paragraph 4(a)(i) of paragraph 5A, before “,and” amend the definition of

$P_{\langle t \rangle}$ to the following –

“ $P_{\langle t \rangle}$ is the price for the same service when priced on a geographically uniform basis, where up to and including $t = 5$ it is calculated in accordance with Condition 21(5)(b)(i), and where $t = 6$ it is calculated having regard to Condition 21(5)(c)”

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13. In sub-paragraph 4(a)(ii) of paragraph 5A, in the formula replace $P_{s,t}$ with $\overline{P}_{s,t}$

14. In sub-paragraph 4(b) of paragraph 5A, replace the formulae below –

$$\left(\frac{GP_{s,t,z}}{GP_{s,t-1,z}} \right) \geq 0.97 \left(\frac{P_{s,t}}{P_{s,t-1}} \right)$$

and

$$\left(\frac{GP_{s,t,z}}{GP_{s,t-1,z}} \right) \leq 1.03 \left(\frac{P_{s,t}}{P_{s,t-1}} \right)$$

with the following formulae –

$$\left(\frac{GP_{s,t,z}}{GP_{s,t-1,z}} \right) \geq 0.97 \left(\frac{\overline{P}_{s,t}}{P_{s,t-1}} \right)$$

and

$$\left(\frac{GP_{s,t,z}}{GP_{s,t-1,z}} \right) \leq 1.03 \left(\frac{\overline{P}_{s,t}}{P_{s,t-1}} \right)$$

15. Insert into paragraph 5B, after the word “Where” at the beginning of the paragraph, the following–

“t < 6, where”

16. Insert into paragraph 6, after the text “Baskets A and B” and before “using the formula” the following–

“, and where t = 6 Basket C,”

17. In paragraph 6, in the definition of “s”, replace the text after “as set out in paragraph 38(a) and” with the following –

“up to and including t = 6, for Basket A a = 1 and b = 13, and
up to and including t = 5, for Basket B a = 14 and b = 38, and where t = 6,
a = 14 and b = 32, and
where t = 6, for Basket C a = 39 and b = 51.”

18. In paragraph 7, following “A and B” and before “using the formula”, insert the following –

“, and where t = 6 for Basket C,”

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19. In paragraph 8(b), before the text “for Basket B”, insert the following –
“where $t < 6$ ”

20. Insert new paragraph 8(c) with the following text –
“(c) where $t = 6$ for Basket B using the formula

$$BR_t = \sum_{s=14}^{s=32} br_{st}$$

and

21. Insert new paragraph 8(d) with the following text –
(d) “where $t = 6$ for Basket C using the formula

$$BR_t = \sum_{s=39}^{s=51} br_{st} ”$$

22. In paragraph 8(d) of the new document, replace “and in the formulae used in paragraphs (a) and (b) with the following –

“and in the formulae used in paragraphs (a), (b), (c) and (d)”

23. In paragraph 9, in the sub-paragraph that defines “ RPI_t ”, before the text “is the change in percentage points”, insert the following –

“subject to paragraph 10(d),”

24. Insert into paragraph 9, after the sub-paragraph that begins “ X is 0.14”, insert the following–

“and where $t = 6$,

X is 0.14 percentage points for Controlled Services in Basket A,
and -5.19 percentage points for Controlled Services in Basket B
and Basket C.

and for Basket C bp_{prt} is calculated using the formula –

$$bp_{prt} = bp_{pr(t=5)} * \left(\frac{100 + RPI_t - X + 2.5}{100} \right)$$

and,

$bp_{pr(t=5)}$ for Basket C is calculated in accordance with paragraph 10(e)”

25. Insert into paragraph 10(a), before the wording “using the formula”, the following –

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- “, including where $t = 6$,”
26. Insert into paragraph 10(b), before “ rp_{prt} is”, the following wording –
- “where $t = 6$ ”
27. Insert into paragraph 10(b), before “ rp_{prt} is”, as a footnote, the following –
- “A formula for $t = 1$, and subsequent Formula Years, was set out to define the representative price for that Formula Year. It was externally audited and hence remains relevant for that Formula Year. The formula has been removed from the Licence for the purpose of simplification now that the original four years of the price control have been externally audited (i.e. up to and including $t = 4$).”
28. Delete sub-paragraph (i) of paragraph 10(b) and renumber subparagraph (ii) as subparagraph (i)
29. Delete “other” in the new sub-paragraph 10(b)(i) so that the new sentence begins “for every Price Range”
30. Replace “those”, prior to “Controlled Services” in the new sub- paragraph 10(b)(i), with “all”, delete the words “and for each Price Range for every other Controlled Service” and insert the sentence “taking account of all relevant discounts” before “and shall be”.
31. Insert new sub-paragraph 10(e), after 10(d), as follows –
- “(e) where $t = 6$, $bp_{pr(t=5)}$ for Basket C is a price that is fairly representative of the prices taking account of all discounts 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.”
32. In paragraph 11, in the definition of ER_{t-1} and AR_{t-1} , insert after “Baskets A and B for Formula Year $t - 1$,” the following –
- “, save that for $t = 6$ the Controlled Services taken into account for the purposes of paragraph 11 (b) as applied to Basket B shall be the Controlled Services for Basket B as defined for $t = 6$,”
33. Insert into paragraph 12, following “zero for Basket B” and before “and for Basket A”, the following –
- “, and zero for Basket C where $t = 6$,”

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34. In paragraph 13(a), after “Basket B”, insert the following

“where $t < 6$ –

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

and where $t = 6$ –

for Basket B –

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

for Basket C –

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

where,

RB_{new} is the revenue earned in Formula Year $t=5$ from the Controlled Services in Basket B as defined where $t = 6$,

RC_{t-1} is the revenue earned from Controlled Services in Basket C in Formula Year $t - 1$ ”

35. In paragraph 14 (a), after “Basket B”, insert “where $t < 6$ –” and the following –

“

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

and where $t = 6$ for Basket B –

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

and where $t = 6$ for Basket C –

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$$G_t = GG_t * \left(\frac{RC_{t-1}}{RGT_{t-1}} \right) - GG_{t-1} * \left(\frac{RC_{t-2}}{RGT_{t-2}} \right)$$

36. In paragraph 14(a) delete the word “and” at the end of the sentence defining “ RB_{t-1} ”
37. Insert into paragraph 14(a), following the sentence defining “ RB_{t-1} ” and before the sentence “ RGT_{t-1} is the total revenue earned by the Licensee in Formula Year $t - 1$ ”, the following text –

“ RB_{new} is as defined in paragraph 13(a),
 RC_{t-1} is as defined in paragraph 13(a), and”

38. In paragraph 14(b) insert in the definition of AR_{t-1} following “provision of Controlled Services 39 to 45” and prior to “by the number of postal packets” the following –
- “, and where $t = 6$ Controlled Services 39 to 51,”
39. In paragraph 14(b), after the definition of IFV_t replace the table with the following –

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
5	102.46

40. Insert into paragraph 16(d) “and $t = 6$ ” after “ $t = 5$ ”
41. In paragraph 16(d), after “ p_t and p_{t-1} are as provided in” and before “paragraph (a) for the period after the introduction of Pricing in Proportion” insert “sub-“
42. In paragraph 16(d), in the definition of ‘X’, replace “1.96” with “-5.19”
43. In paragraph 16(d), after the definition of X the following text –
- “except that in $t = 6$, for Controlled Services 31 to 32 and for packets only within Controlled Services 22 to 23 where there is a corresponding Controlled Services within Controlled Services 33 to 38 $\Delta p_t\%$ shall be the higher of:

$\Delta p_t\%$ as defined in this sub-paragraph (d); and

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The change in price found by the application of the formula

$$\left(\frac{P^*_{t} - P^*_{t-1}}{P^*_{t-1}} \right) * 100$$

where

P^*_t

is the price for the conveyance within the Price Range for the corresponding Controlled Services within Controlled Services 33 to 38”

44. In paragraph 16 (d) replace “are” with “is” following “ $C_{(t-1)}$ is calculated in accordance with paragraph 12 and for all other Controlled Services”
45. In paragraph 16(d) replace all references to “paragraph 13(a)” with “paragraph 13”
46. In paragraph 16(d) insert after “and for Controlled Services in Basket B),

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

the following –

“and where $t = 6$ for Controlled Services in Basket B

$$PP_t = \left(\frac{PP_t}{\sum_{s=14}^{s=32} br_{s(t-1)}} \right) * 100$$

47. Insert in paragraph 16(d), after “ $_2$ for Controlled Services $s = 1$ to $s = 38$ ” the following text –
(and where $t = 6$ Controlled Services $s = 1$ to $s = 32$)
48. Replace reference to “paragraph 14(a)” in paragraph 16(d) following “ G_t is G_t calculated in accordance with” of the existing document with “paragraph 14”
49. At paragraph 16(d), insert after “for Controlled Services in Basket B

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

the following –

“and where $t = 6$ for Controlled Services in Basket B

$$g_t = \left(\frac{G_t}{\sum_{s=14}^{s=32} br_{s(t-1)}} \right) * 100$$

50. Insert after “ k_t for Controlled Services $s = 1$ to $s = 38$ ” the following –

“(and where $t = 6$ Controlled Services $s = 1$ to $s = 32$)”

51. Replace all references to “paragraph 11(a)” in paragraph 16(d) of the existing document with “paragraph 11”

52. Insert in paragraph 16(d) after

“

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

”

the following –

“and where $t = 6$ for Controlled Services in Basket B

$$k_t = \left(\frac{K_t}{\sum_{s=14}^{s=32} br_{s(t-1)}} \right) * 100$$

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53. Insert before “formulae immediately above, $br_{s(t-1)}$ is the revenue that would have been derived from a Controlled Service”, the wording “and where $t = 6$ then,”
54. Insert at paragraph 24, after “approve otherwise”, as footnote 22, the following –
“Direction made on 22 February 2011 in relation to Private Boxes Transfer to PO Box 12 Months”
55. Insert at paragraph 24 new sub-paragraph (a) after “approve otherwise” and the accompanying footnote
56. Insert at paragraph 24(a), before “the Licensee shall take all reasonable steps”, the following –
“subject to paragraph (b) below for $t = 6$,”
57. Insert new paragraph 24(b) after “X is 0.14 percentage points” as follows –
“(b) the maximum average price increase of the services added to the definition of Miscellaneous Services for $t = 6$ will be 12%, consistent with the maximum average price increase for Controlled Services in Basket B,”
58. Insert, at paragraph 28, after “The Licensee shall”, the following –
“until Formula Year $t = 5$,”; and
After “after Formula Year $t = 0$,” the following –
“and where $t + 1 = 6$,
- in respect of Controlled Services numbered 1 to 13 not less than 3 months before the matters referred to in the schedules and/or statements submitted pursuant to (a) to (c) below come into effect,
- in respect of Controlled Services numbered 14 to 38 (as defined for $t = 6$) not less than 8 weeks before the matters referred to in the schedules and/or statements submitted pursuant to (a) to (c) below come into effect,
- in respect of Controlled Services numbered 39 to 51 (as defined for $t = 6$) a sufficient period in advance of the notification in relation to Controlled Services numbered 14 to 38 as to ensure that the Licensee’s obligations in relation to Controlled Services 14 to 38 as set out in this paragraph are met and that the Licensee’s other obligations in the Licence are observed (including, for the avoidance of doubt, Condition 10),”
59. Insert into paragraph 28(c) before “of each of the parameters”, with the following –
“, and where Formula Year $t + 1 = 6$ also for Basket C,”
60. Replace the text in paragraph 28(c) after “each of the parameters”, with the following –

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ER,
PP,
G,

BR,
K,
cp_{ct} and

AR,
C
Rp_{lt}

61. Insert into paragraph 29, after “Controlled Services in Baskets A and B”, the following text –

“, and where $t = 6$ also Basket C,”

62. Replace “A and B” in paragraph 30 with “A, B and C” and replace the text following “for each of the parameters” with the following –

ER,
PP,
G,

BR,
K,
rp_{st}

AR,
C,
rp_{yt}

cp_{ct} and

Rp_{lt}.

63. Insert, at paragraph 38(a) in the definition of “Access Services” after “44A and 44B” and the accompanying footnote the following –

“and where $t = 6$ means the Controlled Services numbered 39 to 51 and any new Access Service introduced by the Licensee in $t = 6$ within the same market or market segment as any of the existing Access Services as Postcomm may by direction determine;”

64. Insert, at paragraph 38(a) in the definition of “Basket B” after “37B” and the accompanying footnote the following –

“and where $t = 6$ Controlled Services numbered 14 to 32;”

65. Insert, at paragraph 38(a), a defined term of “where $t = 6$ Basket C” with the following definition –

“means the Controlled Services numbered 39 to 51;”

66. Replace, at paragraph 38(a), the definition of “Controlled Services” with the following –

“The Controlled Services and the numbers by which they are referred to in this Condition are the services referred to below and, until where $t < 6$, include services substantially similar to those services, and in $t = 6$ include services in the same market or market segment as the services listed below, and this list may be updated by Postcomm by direction –

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No. s	No. s for where $t = 6$	Service
1	1	First Class mail not conveyed by other services listed below;
2	2	First Class Metered;
3	3	Second Class mail not conveyed by other services listed below;
4	4	Second Class Metered
5	5	Standard Parcel;
6	6	Airmail Europe;
7	7	Airmail World Zone 1;
8	8	Airmail World Zone 2;
9	9	Surface Mail;
10	10	Response Services 1 st Class;
11	11	Response Services 2 nd Class;
12	12	First Class Postage Paid Impression (PPI) and where $t = 6$ Automated Standard Tariff Large Letter 1 st Class;
13	13	Second Class Postage Paid Impression (PPI) and where $t = 6$ Automated Standard Tariff Large Letter 2 nd Class;
14	14	Special Delivery (Next Day) other than when sold to users having an account with the Licensee buying the service using their account;
15	15	Cleanmail OCR 1 st Class;
16	16	Cleanmail CBC 1 st Class;
17	17	Cleanmail OCR 2 nd Class;
18	18	Cleanmail CBC 2 nd Class;
19	19	Mailsort 120 OCR 1 st Class;

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20	20	Mailsort 120 CBC 1 st Class;
20A	20A	Mailsort 70 OCR 1 st Class;
20B	20B	Mailsort 70 CBC 1 st Class;
23	21	Mailsort 700 1 st Class;
25	22	Mailsort 1400 1 st Class, and where $t = 6$ excluding Packets > 1kg;
26	23	Mailsort 1400 Residues 1 st Class, and where $t = 6$ excluding Packets > 1kg;
29	24	Presstream 1st Class, and where $t = 6$ excluding Packets > 1kg;
30	25	Presstream 2nd Class, and where $t = 6$ excluding Packets > 1kg;
31	26	Packetpost 1st Class, and where $t = 6$ excluding Packets > 1kg;
32	27	Packetpost 2nd Class, and where $t = 6$ excluding Packets > 1kg;
33	28	Packetsort 8 1st Class (including Flatsort 8 1st Class) , and where $t = 6$ excluding Packets > 1kg;
34	29	Packetsort 8 2nd Class (including Flatsort 8 2nd Class) , and where $t = 6$ excluding Packets > 1kg;
35	30	Walksort 1st Class, and where $t = 6$ excluding Packets > 1kg;
37	31	Mailsort 700 3rd Class;
37A	31A	Mailsort 70 OCR 3rd Class;
37B	31B	Mailsort 70 CBC 3rd Class;
38	32	Mailsort 1400 3rd Class (including Flatsort 1400 3) and where $t = 6$ excluding Packets > 1kg;
21	33	Mailsort 120 OCR 2nd Class;
22	34	Mailsort 120 CBC 2nd Class;

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22A	34A	Mailsort 70 OCR 2nd Class;
22B	34B	Mailsort 70 CBC 2nd Class;
24	35	Mailsort 700 CBC 2nd Class;
27	36	Mailsort 1400 2nd Class and where t = 6 excluding Packets > 1kg;
28	37	Mailsort 1400 Residues 2nd Class and where t = 6 excluding Packets > 1kg;
36	38	Walksort 2nd Class and where t = 6 excluding Packets > 1kg;
39	39	Access 1400 and where t = 6 excluding Packets > 1kg;
40	40	Access 120 Letter;
41	41	Access 120 Flat & Packet and where t = 6 excluding Packets > 1kg;
42	42	Access 120 OCR;
43	43	Access 120 CBC;
44	44	Access 700 CBC;
44A	44A	Access 70 OCR;
44B	44B	Access 70 CBC;
45	45	Access Walksort and where t = 6 excluding Packets > 1kg;
	46	Responsible Manual including 120, 1400, Walksort and excluding Packets > 1kg;
	47	Responsible Mech including 70 OCR, 70 CBC, 120 OCR, 120 CBC and 700 CBC;
	48	Advertising Manual including 120, 1400, Walksort and excluding Packets > 1kg;

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	49	Advertising Mech including 70 OCR, 70 CBC, 120 OCR, 120 CBC and 700 CBC;
	50	Advertising Responsible Manual including 120, 1400, Walksort and excluding Packets > 1kg;
	51	Advertising Responsible Mech including 70 OCR, 70 CBC, 120 OCR, 120 CBC and 700 CBC;

Any question as to whether or not a service is substantially similar to a service referred to above (until the end of $t = 5$) or in the same market or market segment as a service referred to above (in $t = 6$) shall be determined by such direction as may be issued by Postcomm.

For $t = 6$ Controlled Services 19 to 23 and 30 to 38 include, where relevant, their Sustainable Mail, Advertising Mail and Advertising Sustainable Mail equivalents, as may be amended by Postcomm by direction.

For the purposes of paragraph 17 of Condition 15 and of paragraphs 6 to 12 of this Condition:

- Controlled Service 20A and 20B shall be regarded as the same service as Controlled Service 23 (where $t = 6$ Controlled Service 21),
- Controlled Service 22A and 22B (where $t = 6$ Controlled Service 34A and 34B respectively) shall be regarded as the same service as Controlled Service 24 (where $t = 6$ Controlled Service 35),
- Controlled Service 26 (where $t = 6$ Controlled Service 23) shall be regarded as the same service as Controlled Service 25 (where $t = 6$ Controlled Service 22)
- Controlled Service 28 (where $t = 6$ Controlled Service 37) shall be regarded as the same service as Controlled Service 27 (where $t = 6$ Controlled Service 36)
- Controlled Service 37A and 37B (where $t = 6$ Controlled Service 31A and 31B respectively) shall be regarded as the same service as Controlled Service 37 (where $t = 6$ Controlled Service 31)
- Controlled Service 44A and 44B shall be regarded as the same service as Controlled Services 42 and 43 respectively;"

67. Insert, at paragraph 38(a) in the definition of "Controlled Services", after "Any question as to whether or not a service is substantially similar to a service referred to above (until the end of $t = 5$) or in the same market or market segment as a service referred to above (in $t = 6$) shall be determined by such direction", as a footnote, the following—

"Directions made –

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12 February 2007 – Automated Standard Tariff Large Letters are substantially similar (to Controlled Services 2, 4, 12 and 13).

16 January 2008 – Cleanmail Advance, RM Tracked, Business Mail Secure, and Heavyweight services are not substantially similar to any Controlled Services.”

68. Insert at paragraph 38(a) into the definition of “Miscellaneous Services” after “Ministerial Pouch services”, the following –

“And for $t = 6$ for a period ending on the earlier of 31st July 2011 or a date notified in writing by the Licensee to Postcomm, equivalent Controlled Services 22, 23, 24, 25, 26, 27, 28, 29, 30, 32, 36, 37 and 38 for >1kg only”

69. Insert, at paragraph 38(a), in the definition of “Miscellaneous Services”, after the wording “for > 1kg only”, as a footnote, the following –

“These being removed from the definition of Controlled Services in Basket B.”

70. Insert, at paragraph 38(a), a new defined term for “Reference Service” as follows –

“means the Access Service corresponding to the Controlled Service specified in paragraph 5 (b) of this Condition that is used for the purpose of calculating md_{ctb} ”

71. Insert, at paragraph 38(a), in the definition of Regulated Services before “the Regulated Services comprise”, the following –

“In any Formula Year,”; and

After “(a) all the Controlled Services” insert the following –

“as so defined for that Formula Year”

Tim Brown

Chief Executive

Authorised for that purpose

by the Commission

Dated: 30 March 2011