

*These notes refer to the Postal Services Act 2000  
(c.26) which received Royal Assent on 28 July 2000*

# POSTAL SERVICES ACT 2000

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## EXPLANATORY NOTES

### BACKGROUND

6. This Act implements measures proposed in the White Paper, *Post Office Reform: a world class service for the 21st century*, published on 8 July 1999. The White Paper sets out the Government's proposals to modernise the Post Office and postal services markets through a number of key reforms. The reforms are intended to:
  - introduce a more arm's-length commercial relationship with Government, including the approval of a five year strategic plan within which the Post Office and the future Post Office company have greater freedom to develop new products and services; invest; price commercially; and borrow for growth investments;
  - create a new independent regulator, the Postal Services Commission, to promote and protect customer interests, regulate prices, and promote competition;
  - strengthen consumer representation through the restructuring of the Post Office Users' National Council which will become the Consumer Council for Postal Services;
  - increase resources for the Post Office company, by more than doubling the proportion of post tax earnings which the Post Office company can use for investment;
  - convert the Post Office to a plc to underline the commercialisation of the business;
  - protect the universal service obligation and uniform tariff;
  - maintain a commitment to a nationwide network of post offices with the Government for the first time setting minimum criteria for access to counters' services.
7. A number of these measures have been implemented already, through administrative action. These include giving greater commercial freedom to the Post Office Board to run the business within the terms of an agreed five-year strategic plan, increasing the proportion of profits that the Post Office can use for investment and giving the Post Office greater freedom to borrow. The [Postal Services Regulations 1999 \(SI 1999/2107\)](#) completed the implementation of the EU Directive into UK law and created a Postal Services Commission. The aim of the Postal Services Act 2000 is to enable Government to complete this package of reforms. The reforms comply with the requirements of the EU Postal Services Directive ([97/67/EC](#)). The Act will re-enact those obligations set out in the Regulations.
8. The Post Office is currently a publicly owned, statutory corporation, established under the Post Office Act 1969. That Act and the British Telecommunications Act 1981 set out the responsibilities of Government towards postal services and give the Post Office its powers and duties. Since the 1969 Act became law the postal services market has developed significantly, and the Postal Services Act 2000 redefines the roles of the Government and the Post Office to reflect those changes. The Postal Services Act 2000

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will enable the Post Office to be transformed into a public limited company formed and registered under the Companies Act 1985 and subject to normal company law. The Memorandum and Articles of Association of the Post Office company will be published in the normal way. All the shares in the new company will be owned by the Crown. There can be no disposal of shares without further primary legislation, except in the case of a share sale or swap between the Post Office company and a partner to cement a commercial alliance, which will require approval from both Houses of Parliament. Similar restrictions apply to the disposal of shares in any subsidiary company directly engaged in providing the universal postal service.

9. Decisions relating to the Post Office monopoly are currently taken by the Secretary of State for Trade and Industry under provisions in the British Telecommunications Act 1981. The Postal Services Regulations 1999, tabled on 26th July 1999, designated the Postal Services Commission as a new independent regulator for postal services, responsible for advising the Secretary of State on postal issues. Provisions in the Act replace this advisory body with a new fully independent regulatory body, along the lines of those in the privatised utility industries (e.g. Office of Telecommunications), by giving the Commission statutory duties and powers to issue licences, to regulate prices, to enforce the monopoly, to introduce greater competition and to maintain a universal service at a uniform tariff.
10. At present, the Post Office has the exclusive privilege of delivering mail costing less than £1 (or weighing less than 350 grams) within the UK, subject only to a handful of exceptions provided through niche and class licences. The Act makes it necessary for any person operating in the reserved area, including the Post Office company, to be licensed by the Postal Services Commission. The Commission will be responsible for recommending the level of the reserved area in future and judging how far to open up the market to further competition. It will also be given powers of investigation and enforcement, including the power to impose monetary penalties for breach of licence conditions.
11. The Post Office Users' National Council, which represents consumer interests, is replaced by the Consumer Council for Postal Services. The Bill provides this new body with a central role in the new regulatory framework, monitoring service standards that users can expect and acting as a focus for consumer issues and complaints. Its powers are strengthened, in particular through wider access to relevant information from the Post Office company and other licence holders.
12. The main pieces of legislation currently governing the Post Office are the Post Office Acts 1953 and 1969 and the British Telecommunications Act 1981. This Act seeks to consolidate the postal services provisions in these Acts, by repealing or redrafting relevant sections, to provide a more simple and modern legal framework in which the Post Office company and other licensed persons can operate.