



**Consumer
Focus**
Campaigning for a fair deal

Consumer Focus response to Postcomm consultations on Royal Mail applications to amend and align its terms and conditions for consumers and account customers, and Royal Mail's application to run a Delivery to Neighbour Trial

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About Consumer Focus

Consumer Focus is the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland.

We operate across the whole of the economy, persuading businesses, public services and policy-makers to put consumers at the heart of what they do.

Consumer Focus tackles the issues that matter to consumers, and aims to give people a stronger voice. We don't just draw attention to problems – we work with consumers and with a range of organisations to champion creative solutions that make a difference to consumers' lives.

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Summary

As Postcomm explains in its consultation document, Condition 21(3) of Royal Mail's licence provides it with a mechanism to make non-beneficial changes to its Regulated Services by securing Consumer Focus's agreement to those changes. Several months ago Royal Mail approached us with proposals to amend the terms of its compensation arrangements and to trial leaving undeliverable post with a neighbour. Despite making some minor alterations Royal Mail could not secure our agreement to its proposals because we did not believe they were a reasonable response to the changing postal market. We were concerned that they indicated a worrying precedent of Royal Mail undermining consumers' rights, and that they were being rushed through before regulatory responsibility transfers from Postcomm to Ofcom in the autumn. Royal Mail has now submitted these altered proposals to Postcomm, and we welcome the opportunity to respond on behalf of consumers.

Our response is not a knee-jerk reaction to any proposed re-assessment of consumer services, and we support those changes that are aligned with consumers' behaviour (aligning the retention period for undeliverable items, introducing a three month deadline for requesting proof of delivery). However, we are concerned that the proposals to reduce compensation claim limits and remove compensation for account customers using untracked products will leave Royal Mail's consumers and customers worse off without addressing the root causes of consumer concerns. In particular, our response focuses on the proposal to trial leaving undeliverable items with the recipient's neighbour. We are pleased to see Royal Mail addressing the growing problem of delivery inconvenience. As we now understand that Royal Mail will allow recipients to opt out of the trial should they wish to, we believe it should proceed. However, the application does not allay our concerns (and those of surveyed consumers) around mail integrity, responsibility and privacy, and does not sufficiently address the concerns of senders. We present alternative solutions that would allow Royal Mail to streamline its services without the potential detriment to consumers that would follow from its proposals as they stand.

Where appropriate commercially confidential data have been redacted; a non-redacted version of this document has been submitted to Postcomm.

Royal Mail's applications to amend and align its terms and conditions for consumers and account customers

Amending the compensation arrangements for loss and damage

In this application Royal Mail proposes several changes to both the contract (business) and single-piece (residential and SME) consumer compensation arrangements, primarily for lost or damaged items. Royal Mail's rationale for these proposals is that they will allow it to a) reduce the number of valuable items sent via untracked services that go missing and b) more quickly find and deliver missing items. While we believe these outcomes would be in consumers' interests we do not believe that all of the proposals themselves will necessarily lead to these outcomes. Indeed, we believe some will only benefit Royal Mail itself and will lead to considerable consumer and customer detriment.

60 days deadline for compensation claims for loss and damage (not delay)

The most contentious proposal is that Royal Mail wishes to reduce the period during which consumers can claim compensation for lost or damaged items. Consumers currently benefit from having 12 months to submit claims, but under this plan the claim period would be reduced to 60 days (with a transitional grace period of six months during which Royal Mail would accept claims for 90 days). We agree that a reduction in the compensation claim period is appropriate; 12 months is substantially longer than any other postal company offers and the vast majority of consumers submit their claims within a much shorter period. However, we think Royal Mail should continue to accept claims made within three months of posting rather than the proposed two months, to reflect the reality of customer claim times.

According to Royal Mail's own data for compensation claims for loss, in 2010/11 82 per cent of consumers submitted their claims for lost items within two months. This leaves almost 18 per cent of consumers who submitted their claims after this time and who would be cut off from claiming under this proposal. This problem is compounded by the fact that Royal Mail does not accept claims for lost mail within the first 15 working days after posting, which would effectively leave consumers with only six weeks in which to make a claim. We believe that to reduce the claim period to 60 calendar days when a consumer might be unaware that an item has been sent (and in any event cannot make a claim until 15 working days have elapsed) would be a retrograde step. In contrast Royal Mail's data show that 82 per cent of claims were submitted within three months, which leaves 18 per cent of consumer claims that would be rejected under this proposal. We would have fewer reservations if a two month claim period started after the 15 working days during which Royal Mail does not accept claims for lost mail, but a three month claim period that started from the day of posting would

be very similar in total duration but would be considerably simpler for consumers to understand.

Royal Mail's data also show how the proportion of claims for which compensation is paid varies across the current 12-month claim period. In 2010/11 compensation was paid for 82% of claims submitted within three months of posting (82 per cent); this proportion was 78% for claims submitted within two months of posting (78 per cent). This proportion 78 per cent for claims submitted within four-six months, but 82% for claims submitted within the current 12-month claim period (82 per cent). If compensation paid is related to claim validity these data suggest that 82% claims made within three months are valid.

The proposal will not serve to simplify the claims process: currently senders have three months from posting in which to submit claims for delay (this time period is even more reasonable than three months for loss as they do not have to wait for 15 working days to elapse before submitting a claim).

Royal Mail states that the proposal will improve the consumer experience by increasing the chances that a lost item can be found and by allowing it to more effectively investigate and reduce the causes of loss and damage. This aim is encouraging, and we would like to see more detail on what differences consumers can expect to experience when making future complaints (although we wonder whether positive changes are likely given that 82% per cent of consumers already submit claims within three months). One marker of success might be an increased probability that lost items are recovered following a claim. What we dispute is Royal Mail's preferred method of achieving this by simply not accepting claims that are submitted more than two months after posting. It also provides no evidence that the number of lost items that are subsequently found is meaningfully higher within two months from the date of posting than within three months. This does not support a reduction in the claim time limit to two months rather than three months.

Instead, there are alternative ways that Royal Mail could achieve this aim without potentially cutting off 82% of claims. For example, it could carry out a campaign to educate consumers about the benefits of providing Royal Mail with timely information in order to encourage them to submit claims as soon as possible. This would allow Royal Mail to achieve its aim of making better use of the loss and damage claim information while not disadvantaging the substantial number of consumers who, for whatever reason, take up to 90 days after posting to submit claims. A programme of consumer education would also be relatively more effective on the 82% per cent of consumers who currently do not submit claims within three months than on the 78% per cent of consumers who do not submit claims within two months. However, we do not believe the issue of claim period duration could never be re-visited: if Royal Mail reduced the claim period to three months it could monitor the impact of this change on claim numbers and complaint resolution success over the course of a year and then, if appropriate, submit a further request to reduce the claim period when it has evidence that this would improve complaint resolution success without inconveniencing consumers.

Removal of compensation for loss and damage from on-account/contract customers using non-tracked services

Another proposal in this application would allow Royal Mail to withdraw all compensation for loss and damage of untracked items bought on account. In the press release that accompanied the applications Royal Mail stated that this change would have no impact on consumers. We dispute this statement; although the direct effect of this change would be on business account customers, it will undoubtedly have a knock-on effect on residents and

SMEs, who are commonly the recipient of, and ultimately pay for, items sent via these services.

If business customers can no longer claim compensation if Royal Mail loses or damages their items, they will have to either bear the loss or damage costs themselves or use the more expensive tracked services. These businesses are then likely to pass on these additional costs to their customers. For example, if you shop online your postage costs will increase if retailers pass on the aggregated cost of lost and damaged items or only offer tracked postage services for a premium. We are also concerned that this could be the first step along a path towards not providing compensation for loss and damage for single-piece items unless they are sent via premium tracked services.

Once again, Royal Mail states that this proposal will improve the customer experience, in this case by reducing the number of valuable items sent via untracked services that go missing. Once again, we take issue with the decision to do this by removing compensation from untracked services, which is likely to force businesses to use tracked services. The benefits for Royal Mail of these compensation changes are clear and acknowledged: together they will serve to reduce the amount of compensation that it pays out. In other words, reducing the claim period to 60 days and removing compensation from untracked items will reduce the amount of compensation consumers and customers receive. Neither of these measures addresses the reasons why post is lost or damaged: they simply reduce the level of responsibility that Royal Mail takes for any loss or damage. The onus shifts on to the consumer and customer to use premium tracked services or risk the consequences, and submit claims within a six-week window regardless of circumstance.

Three month deadline for requesting Proof of Delivery offline (via customer services) and for requesting a fee refund in the event of failure to provide one

We have no objection to this part of the application, which proposes limiting the window for offline requests for Proof of Delivery or fee refunds for Recorded Signed For or Special Delivery items to three months. The 2010/11 consumer data supports a three month time limit: 94 per cent of requests for Proof of Delivery and 92 per cent of complaints about failure to provide Proof of Delivery were made within three months. We agree with Royal Mail that these changes would have little detrimental impact on the consumer experience. The majority (89 per cent) of requests for Proof of Delivery were made within two months, as were 82 per cent of complaints about failure to provide Proof of Delivery. It is encouraging that Royal Mail is prepared to maintain a three month time limit in this case, as this limit would ensure that less than 10 per cent of claims would fall outside of this time period. This makes the decision to limit the deadline for consumer claims for loss and damage to two months discussed above even more surprising, when so many more consumers are likely to be affected by these changes.

Aligning the retention periods for undeliverable items

Under the current arrangements the period of time for which undeliverable items are held at Callers' Offices depends on the product used and varies from 7-21 calendar days. This has the potential to confuse both Royal Mail staff and consumers, and as such Royal Mail is seeking to align the retention period for all undeliverable items to 18 calendar days. We agree with this sensible proposal. It would simplify re-delivery and collection arrangements and in most cases would allow consumers more time to collect undeliverable post. It would also simplify the way in which Royal Mail stores such items; currently by product type rather than by date.

We are pleased that in this part of the application Royal Mail takes account of consumers' behaviour patterns: at the moment only 1 per cent of items remain uncollected after 18 days and so this change takes the vast majority of consumers with it. It also allows enough time for consumers who are on a typical two-week holiday to collect any undeliverable post.

There are also a few operational issues that Royal Mail might like to consider. One is that a comprehensive communications plan will assist it in successfully delivering this change. Another is that the increased retention period for Recorded Signed For means that senders will have to rely more heavily on Royal Mail's tracking system to identify undelivered items, and they will therefore benefit from a system that is as accurate as possible. We will also expect to see a marked improvement in Delivery Office customer management, including shorter queues and better telephone call handling. While we were pleased to see the introduction of extended opening hours at Delivery Offices last year, we would like to see these reviewed, in particular for those Delivery Offices where this has not yet taken place.

Royal Mail's application to run a Delivery to Neighbour Trial

Introduction

In this application Royal Mail is seeking permission to trial leaving 'undeliverable' items of post (those that won't fit through a letterbox or Recorded Signed For items which require a signature) with a neighbour. In this case a neighbour is a person who lives near the delivery address on the letter or parcel. Royal Mail would consider this as a successful delivery and would take no further responsibility for this post. The choice of neighbour would lie with the postman/woman and the recipient would be informed via a card stating the neighbour's address (and possibly name). If a consumer accepted post on behalf of their neighbour they would be responsible for the condition of the post when it was collected. If Royal Mail deems the trial a success, it wishes to roll out the practice across the UK. Although the application does not include an opt-in or opt-out for either senders or receivers, we understand from Royal Mail that it has since decided to implement a basic opt-out for recipients only in its trial.

One of the ways in which the mail market is changing is that residents and businesses send more and more 'non-letterboxable' post such as parcels and items that require a signature. If the recipient is not in when such items are delivered Royal Mail will normally return them to the Delivery Office for collection, re-delivery or transfer to a Post Office. However, these options are not always the most convenient for the recipient. We fully support Royal Mail's efforts to improve delivery convenience, for example with options such as a designated 'Safeplace' which is available with Royal Mail Tracked. Given that Royal Mail's competitors are known to leave undeliverable items with the recipient's neighbour it is clear why Royal Mail would investigate this option, and we believe that some consumers would appreciate this service.

However, Consumer Focus represents the views of all postal consumers and our response to Royal Mail's proposal reflects that. While in principle we do not oppose postmen/women leaving undeliverable items with neighbours and we believe the proposed trial should go ahead, we do not think Royal Mail should be the sole judge of its success. We are also alarmed at Royal Mail's request to circumvent further licence-based public consultation should it decide that the trial is successful. We believe that all four groups involved – senders, recipients, neighbours and postmen/women – have reasons to be concerned; the views of senders in particular are given little regard. These proposals also have serious implications for mail integrity, privacy and responsibility.

In support of its application Royal Mail cites findings from IMRG's Consumer Delivery survey 2011¹. However, closer examination of this survey reveals that delivery to a neighbour is not consumers' preferred solution. This is corroborated by the response of focus groups convened by Postcomm to discuss international mailing use².

¹ IMRG (2011), *Consumer Delivery survey*.

² Postcomm (2011), *Understanding how consumers use the postal service for International Mailing*.

In August 2011 Consumer Focus conducted our own research³ into consumers' responses to the delivery to neighbour proposals. This consisted of 2,000 face-to-face interviews with consumers from across the UK who were asked about their attitudes and preferences to their mail being left with a neighbour. This was supplemented by 178 online surveys with members of the Scottish Consumer Network⁴. This consumer evidence forms the basis of our response and we will present relevant findings from all four studies throughout.

The concerns that we have are also apparent to the consumers who have contacted us or responded to press articles about this proposal to publicise their points of view. The overwhelming response has been negative and many consumers are vehemently opposed to being included in such a scheme. Interestingly, many of those who did not object on their own behalf recognised that this scheme would not work for everyone.

'All you people saying what's the problem we have been doing this for years with our nice neighbours need to step outside your own little box and look at the bigger picture'

Where appropriate we will include quotes from consumers to illustrate their concerns.

Relationship with neighbours

It is immediately apparent that this scheme will only work if the intended recipient has a good relationship with all of their neighbours. However, for many people having their mail left with a neighbour they do not know, or might not trust, could open the door to all sorts of problems. There are multiple negative scenarios that might play out if this scheme is introduced:

1. You have a good relationship with all of your neighbours but you are rarely at home at the same time so as the recipient you have difficulty retrieving your post and as a neighbour you are obliged to look after it.

'If I work shifts it isn't inconceivable that it could be many days before we are both awake and in at the same time'

2. You have a good relationship with all of your neighbours but the neighbour with your post becomes unavailable (eg goes on holiday) before you can retrieve your item so you are prevented from receiving urgent post for some time.

'What happens when someone gives me a neighbour's mail and I go away for a month's holiday?'

3. You receive private or confidential post that you do not wish your neighbours to know about. Our research into consumers' responses to Royal Mail's delivery to neighbour proposal found that 23 per cent of people did not believe post left with a neighbour would be secure and private, while 29 per cent believed it would be secure and private with only some of their neighbours⁵.

'I dread the thought of some neighbours having any access to any of my mail for privacy, and security reasons'

³ Consumer Focus (2011), *Consumer responses to Royal Mail's delivery to neighbour proposals*.

⁴ The Network is not designed to be statistically representative but does include members from all 32 local authority areas, and has a reasonable balance over demographic factors such as age and gender. As such, the findings of the survey should be viewed as indicative of wider consumer views rather than representative of the Scottish population.

⁵ Ibid.

4. You do not know your neighbours and you cannot make a judgement about whether you are happy for your post to be left with them. 27 per cent of consumers who responded to our survey knew their neighbours only slightly or not at all⁶.

'I live in a block of flats and have never even met my neighbours let alone get to know them to the extent of trusting them with my post'

5. You know and trust some of your neighbours but you cannot choose which neighbour your post is left with. 14 per cent of consumers did not trust their neighbours to receive undeliverable post on their behalf, while 44 per cent trusted only some of their neighbours in this capacity⁷.

'No problem with them leaving things with neighbours provided I can tell them which neighbours are acceptable'

6. Your neighbour accidentally opens, damages or loses your post. In any of these circumstances your neighbour can blame Royal Mail, and as a neighbour you could be blamed if you accept an item that was damaged in transit. Even if your neighbour accepts responsibility this is likely to strain otherwise cordial relationships.

'You might start out as good neighbours but won't be for long if this goes ahead'

7. Your neighbour wilfully opens, damages or steals your post. In any of these circumstances your neighbour can blame Royal Mail but Royal Mail will accept no responsibility once post has been left with your neighbour. This means that your only recourse is to legal proceedings.

'I would be vehemently opposed to this move, as in my road there are countless people with criminal convictions (one of my neighbours being among them)'

8. As a sender you do not necessarily know or trust the recipient's neighbours but cannot prevent your post from being left with them. This is likely to be a particular concern for SMEs who post items to customers.

'I certainly don't trust my customer's neighbours'

These scenarios range from an unnecessary inconvenience to the loss or damage of your post. Put simply, you should not have to get on with your neighbour to get your post, but the assumption that everyone knows and trusts all of their neighbours is the false foundation upon which this proposal is built. Delivery to a neighbour is not a one-size-fits-all solution. We expand on some of the issues these scenarios illustrate below.

Mail integrity and responsibility

A recurring concern for all parties is the question of who is responsible for the condition and security of post left with a neighbour. Royal Mail believes that post left with a neighbour should be considered as having been delivered correctly for the purposes of its Quality of Service measurements. It also believes that it should not accept liability for loss or damage under the Mails Integrity Code once it no longer has control of an item. It would amend the relevant product Schemes to address the issue of whether the sender, recipient or neighbour would be liable for loss or damage.

⁶ Consumer Focus (2011), *Consumer responses to Royal Mail's delivery to neighbour proposals*.

⁷ Ibid.

As far as consumers are concerned this means that Royal Mail would absolve itself of all liability once an item had been handed over to a neighbour. Royal Mail does not clarify who would instead find themselves responsible. This is clearly a concern for senders, recipients and neighbours, all of whom could be blamed should an item go missing or become damaged. There would be no recourse to Royal Mail for a sender or recipient whose post was left with a careless or untrustworthy neighbour, or for a neighbour who in good faith accepted a damaged item, especially as a postman/woman is unlikely to indicate any prior damage when leaving an item with a neighbour. Postmen/women might also rightly be concerned that if a neighbour damaged or denied receiving an item they could be blamed for this. Our consumer research⁸ found that 46 per cent of people were not happy to take responsibility for the condition of any post they accept on behalf of their neighbours, while 17 per cent were happy to take responsibility for the condition of any post they accept on behalf of only some of their neighbours. 56 per cent (65 per cent of Scottish Consumer Network respondents) of people did not think it was acceptable that Royal Mail would consider post left with a neighbour as having been delivered successfully.

'What legal obligation do I have to keep and care for my neighbour's mail? ... What if I lose it?'

We do not believe Royal Mail has given sufficient thought to these issues, especially given the very high number of complaints it already receives about lost and damaged items each year (approximately 618,000 during 2010/11). Over half of the consumers we surveyed did not think it is acceptable that Royal Mail would expect consumers to take responsibility for any resulting mail integrity breaches. We predict this would lead to a large increase in the number of complaints that Royal Mail receives about lost and damaged items. However, Royal Mail has taken steps to avoid paying extra compensation even if this scheme results in an increase in the number of lost or damaged items and subsequent complaints. It will also accept no liability for delay caused by leaving post with a neighbour as delivery is completed when post is left with a neighbour, not when it is collected from the neighbour by the recipient, regardless of any delay this policy imposes.

The results of Postcomm's research into international mailing⁹ are relevant to the issue of responsibility. They show that consumers consider delivery to neighbours to be irresponsible:

'For consumers, good security means it is only acceptable for a parcel to be delivered into the hands of the person intended, so when parcels are given to other people on behalf of the recipient (eg a neighbour), or left in unsecured places, this is felt to show a serious lack of responsibility and professionalism'

The question of responsibility also extends to the enhanced role of the postman/woman under this proposal. Royal Mail believes that its proposal is consistent with the Postal Services Acts which state that a delivery to the addressee includes delivery to 'any other person considered to be authorised to receive the packet'. There are two parts to this statement: a) who is authorised to receive the packet and b) who considers this person as authorised. Royal Mail believes that a) neighbours are authorised and b) postmen/women can consider a neighbour as this authorised other person. It also does not believe it is fair or correct to assume that authorisation must be given by the recipient only, although it does not justify any of these conclusions.

⁸ Consumer Focus (2011), *Consumer responses to Royal Mail's delivery to neighbour proposals*.

⁹ Postcomm (2011), *Understanding how consumers use the postal service for International Mailing*.

We disagree with this position. When a sender posts an item they are within their rights to assume that it will be delivered to the addressee, or at least the household to which it is addressed. It is a huge leap of logic to conclude that the Acts sanction neighbours as authorised given that the word authorised implies formal approval which is explicitly left out of this proposal. We would instead argue that it is much more fair and correct to assume that either the sender or recipient (or both) only should be capable of authorising delivery to any other person as they are the only parties directly affected by the status, condition and contents of the post. We do not believe this decision should be forced on postmen/women who are not necessarily privy to information about the relationships between neighbours or the particular concerns of senders, recipients and neighbours.

Our response is supported by our consumer research¹⁰. Even when a postman/woman could be considered familiar with a delivery route, 52 per cent of people do not believe their regular postman/woman has a reasonable knowledge of whether they know or trust their neighbour, and 38 per cent of people were not very/at all happy for their postman/woman to decide which neighbour their post should be left with. Given the delivery route revisions that form part of Royal Mail's ongoing modernisation programme, we also wanted to determine whether consumers' responses would be affected by these changes. Damningly, 68 per cent of people did not believe a new or unfamiliar postman/woman would be able to make an accurate judgement about whether to leave their undeliverable post with a neighbour.

Opt-in/opt-out

Delivery to a neighbour should be seen as an option, not a solution. This is highlighted by the results of our consumer research¹¹: 21 per cent of people (27 per cent of Scottish Consumer Network respondents) were not happy for neighbours to receive undeliverable post on their behalf, while 36 per cent were happy for only some of their neighbours to receive undeliverable post. Looking at the neighbours' perspective, 15 per cent of people were not happy to receive undeliverable post on behalf of their neighbours, while 26 per cent would be happy to receive undeliverable post on behalf of only some of their neighbours. These results strongly suggest that this cannot be a catch-all solution to the problem of reducing unsuccessful deliveries.

Our research¹² also provides very strong support for an opt-in/out to be included as part of the trial, as 80 per cent of consumers surveyed (82 per cent of Scottish Consumer Network respondents) said they thought they should be able to opt-in or opt-out of having undeliverable post left with a neighbour. Royal Mail cites the finding from the IMRG Consumer Delivery survey¹³ that respondents chose 'neighbour' as the most popular location for undeliverable items to be left. This is based on the 50 per cent of respondents who stated that they have somewhere safe that parcels can be left when no-one is home; however, of that 50 per cent only 39 per cent stated that this would be with a neighbour (ie 20 per cent of respondents).

'...there should be an opt out clause no matter what the situation'

'There has to be a way of opting out if you've a problem with your neighbour'

¹⁰ Consumer Focus (2011), *Consumer responses to Royal Mail's delivery to neighbour proposals*.

¹¹ Ibid.

¹² Ibid.

¹³ IMRG (2011), *Consumer Delivery survey*.

We are therefore pleased to hear that Royal Mail is planning to include an opt-out as part of its trial. We understand that this would involve consumers displaying an opt-out sticker on their property. This would provide a blanket opt-out, so consumers are either in or out of the whole trial, meaning that unless recipients were happy for any undeliverable post to be left with any neighbour they would be unlikely to participate. However, for maximum consumer benefit several different opt-outs are required: for individual items, individual Royal Mail products and individual neighbours. For example, recipients cannot choose to include/exclude individual neighbours, even though 36 per cent of consumers who responded to our survey¹⁴ were happy for only some of their neighbours to receive undeliverable post. Similarly, neither senders nor recipients can include/exclude individual products or services, even though 38 per cent of consumers who responded to our survey were not happy for valuable or signed-for post to be delivered to a neighbour and 29 per cent were happy for these items to be delivered to only some of their neighbours. In addition to providing only a crude opt-out we are also concerned about the potential security risk that displaying an opt-out sticker might pose to householders. We urge Royal Mail to take advice from security experts on the potential risks of this mechanism before proceeding with any trial.

Although the concerns of recipients are more immediately obvious an opt-in/out needs to be available to senders as well as recipients, as both have an interest in the delivery method used. For example, solicitors might judge that mail destined for a client is too sensitive to be left with a neighbour. Our consumer research¹⁵ found that 54 per cent of people would not be happy to send parcels or Recorded Signed For post knowing that this could be delivered to the recipient's neighbour. Both parties should be allowed to have a say in whether delivery to a neighbour is acceptable for it to proceed. We believe Royal Mail must allow both senders and recipients to decide whether this scheme is appropriate for them, for whatever reason, and this does not form part of the proposal as it stands. A sender opt-out could be easily implemented via a sticker that could be applied to relevant items. For the majority of post which is sent by businesses this would be for the business to arrange, but for SMEs and residents stickers could be provided in Post Offices with minimal cost and time disruption.

One product that we believe should be excluded from the trial is Recorded Signed For. Consumers pay a premium for this product (more than twice the price of a 2nd class stamp) to receive the signature of someone at the delivery address, preferably the addressee, but if the signature instead comes from a neighbour this premium is wasted. According to the IMRG Consumer Delivery survey¹⁶ cited by Royal Mail as support for its proposal 84 per cent of respondents stated that they would be happy for a neighbour to provide a signature if they were not available. However, when given details of the proposals for this trial 49 per cent of consumers who responded to our survey¹⁷ (53 per cent of Scottish Consumer Network respondents) did not consider it acceptable for a neighbour to sign for Recorded Signed For post.

'The whole point of having an item signed for is to make sure that you get it and not some dubious neighbour'

¹⁴ Consumer Focus (2011), *Consumer responses to Royal Mail's delivery to neighbour proposals*.

¹⁵ Ibid.

¹⁶ IMRG (2011), *Consumer Delivery survey*.

¹⁷ Consumer Focus (2011), *Consumer responses to Royal Mail's delivery to neighbour proposals*.

Other than signature products Royal Mail does not propose to capture the signature, and not even necessarily the name, of the chosen neighbour. If the recipient cannot identify which member of the neighbour's household their post was left with this could delay retrieval of their post. It would be more helpful for recipients if postmen/women captured the name and signature of the neighbour, as well as their address.

Communications plans

Royal Mail needs to ensure its communications plan is very thorough before embarking on a trial. The communications plan outlined in Royal Mail's application does not do much to inform affected consumers that this trial is taking place. Its strategy appears to be based around informing consumers only after delivery to a neighbour has been enforced. It instead needs to be more pro-active in disseminating information to those in trial areas. We believe it should write to all properties informing them of the proposed delivery arrangements. If it goes ahead with the recipient opt-out, the stickers need to be made easily available to all recipients, including those who are unable or unlikely to visit Callers Offices or Post Offices and those who do not have easy internet access. The most effective way to ensure all recipients who would like to opt out can do so is to distribute opt-out stickers to all properties in the trial areas. If communications are limited Royal Mail runs the risk that the first time consumers become aware of the scheme would be after an unwanted delivery to a neighbour had already taken place. Wider communications would also give recipients the opportunity to 'unofficially opt out' from the trial by arranging delivery of a large item to an alternative address to avoid their neighbour accepting delivery of their mail.

However, communications cannot be limited to trial areas only because potential senders to recipients in trial areas can come from across the UK. Information needs to be widely available to all potential senders, including low-volume senders who use Post Offices and high-volume senders, for example mailing houses. Our consumer research¹⁸ found that 77 per cent of people were not aware that Royal Mail is planning to trial leaving undeliverable post with a neighbour, and that 54 per cent of people would not be happy to send parcels or Recorded Signed For post knowing that this could be delivered to the recipient's neighbour. This is especially important given that this application does not include an opt-out for senders.

During the trial

Despite our concerns we are happy for the proposed trial to go ahead because we appreciate Royal Mail's effort to address the issue of delivery inconvenience. We will be very interested to see how senders, recipients, neighbours and Royal Mail staff respond to the trial and would very much appreciate being kept informed throughout. The trial needs to cover a wide range of locations to ensure it captures the views of rural, suburban and urban recipients and neighbours. Additionally, given the substantial change in delivery practices that this trial represents it must include straightforward and effective complaint resolution and trial improvement procedures.

During the trial Royal Mail intends to measure several performance indicators to determine whether it is successful. Of course from consumers' perspectives the measure of success of the trial will be independently assessed consumer satisfaction, not a reduction in Royal Mail's costs. Royal Mail mentions tracking variations in complaints regarding loss as a measure of trial success. This method would only provide a very limited view of customer satisfaction, as it will be difficult to separate those complaints that refer to the delivery to

¹⁸ Consumer Focus (2011), *Consumer responses to Royal Mail's delivery to neighbour proposals*.

neighbour trial from more general complaints. It also does not mention complaints regarding damage or delay, both of which are potential concerns. We are therefore pleased to see that Royal Mail's proposed KPIs also include customer satisfaction assessed via surveys, but once again the satisfaction of senders has been ignored. Royal Mail needs to seek their views as well as those of recipients, neighbours and postmen/women. We believe the most effective and thorough method for assessing customer satisfaction will be to include a survey on delivery convenience, mail security/privacy etc as part of the delivery process. This would mean providing questionnaires at Post Offices and mailing houses for senders, on the P739 cards left with recipients and with the non-deliverable items left with neighbours. The results of these surveys should be sent to an independent organisation for analysis. Consumer Focus is also considering conducting our own separate research on consumer responses to the trial.

After the trial

Royal Mail's application includes a request that if the trial is successful (according to its criteria) Postcomm agrees that delivery to a neighbour is not a less beneficial change to regulated services and that Condition 21(4) of its licence would therefore not apply. This would mean that it could extend the trial across the UK without a further Condition 21(4) application (such as it has made for its compensation arrangements). We do not believe Postcomm should agree to this request in advance of the trial, especially as there is no guarantee from Royal Mail that a UK-wide scheme would correspond to the trial conditions proposed. We believe Royal Mail must submit any proposed UK-wide roll-out of a delivery to neighbour scheme to the same scrutiny as the trial has undergone. We are aware that, as of April 2012, the whole of Condition 21 will fall away from the regulatory framework, and that Royal Mail is keen on lighter-touch regulation of its practices. However, the consumer response to this application demonstrates the need for public consultation on proposed changes to regulatory safeguards. ✂.

Alternative delivery solutions

Instead of relying on delivery to a neighbour to improve delivery convenience for consumers there are several other delivery solutions that Royal Mail could explore. We believe Royal Mail's practices would benefit from considerably more consumer research into the issue of alternative delivery options. For example, the IMRG Consumer Delivery survey¹⁹ found that the most popular ways to make receiving delivery more convenient were specific day (83 per cent), two hour time slot deliveries (76 per cent) and improved delivery information such as access to online order tracking (80 per cent). The option for delivery to a 'safeplace' specified when ordering (shed/garage, secure box, neighbour, etc) was chosen by only 52 per cent of respondents. The responses demonstrate the wide variety of potential alternative delivery solutions.

Royal Mail's justification for a delivery to neighbour trial instead relies on comparisons with the delivery policies of its competitors, as Royal Mail is the only major delivery company that does not allow undeliverable items to be left with a neighbour. However, Royal Mail still delivers over 99% of all items and so its delivery policy decisions have a much greater impact on consumers than those of competitors. Royal Mail also does not detail whether any of its competitors offer an opt-in/opt-out for this practice. Consumers responding to Royal Mail's proposal believed other companies did offer delivery to neighbours as an option, and

¹⁹ IMRG (2011), *Consumer Delivery survey*.

some referred to off-putting experiences they have had with other companies who have implemented delivery to neighbours.

'...most couriers give this as an option when the service is booked not as a thing they do all of the time so you can opt out which the Royal Mail proposal doesn't give'

'I always leave clear and strict instructions for couriers NOT to leave parcels with our neighbours. If they cannot guarantee to me that they won't, I cancel my order and look elsewhere'

Research carried out by Postwatch Scotland in 2006²⁰ into the delivery experiences of Residents of Scottish Tenements, found that in 11% of cases mail was returned to the sender as undeliverable, primarily because the postman/woman could not gain access to the building. While slightly out of date, this finding indicates that leaving items of mail with a neighbour may not be a feasible option for postmen/women on routes with a high proportion of tenements/flats because of the inherent problem of access. Royal Mail needs to be more innovative and flexible in its approach to delivery convenience. If it wishes to explore options to improve delivery convenience an obvious starting point would be to expand the current Safeplace option which is available through Royal Mail's Tracked service. This allows businesses to offer customers the option to designate an alternative delivery location including a near neighbour.

As mentioned in its application Royal Mail has recently successfully trialed a paid-for evening delivery service, and it is exploring the possibility of making deliveries to ByBox lockerbanks located at mainline railways stations. Another possibility would be for Royal Mail to raise the profile of its current re-delivery and Local Collect services. As Royal Mail states in its application, Parcelforce policy is that a neighbouring address or a local Post Office branch can be considered as an alternative address for undeliverable post. This leads us to wonder why Royal Mail has not considered amending the Local Collect service so that the Post Office network becomes an optional delivery point rather than a costly redelivery option. We believe these options should be explored fully first as they do not face the same problems of choice and security as the current delivery to neighbour proposal.

The benefits to Royal Mail

Given the alternatives outlined above, it is interesting to assess why Royal Mail is so keen to press ahead with this proposal. Its rationale is that delivery to a neighbour will improve delivery convenience as consumers can retrieve their post from a neighbour rather than arranging re-delivery or collection from a Delivery Office. We agree that delivery convenience is increasingly important to consumers, but do not agree that the end justifies the means in this case.

Royal Mail acknowledges that the existing arrangements for re-delivery or collection are not as helpful as they should be and that delivery to a neighbour would circumvent these issues. For example, consumers who choose to collect their items from a Delivery Office will find they have to travel increasingly long distances as Delivery Office and Mail Centre closures are implemented across the UK as part of Royal Mail's modernisation process. Consumers who choose to telephone Royal Mail to arrange re-delivery often experience sub-optimal service. Royal Mail also acknowledges that handling of some undeliverable items does not conform to the mail integrity code, with items being left on doorsteps or with neighbours. There are also well-documented problems with the existing P739 card procedures.

²⁰ Postwatch Scotland (2006), *Research into the Delivery Experiences of Residents of Scottish Tenements*.

Consumer Focus' postal omnibus survey 2009²¹ found that 23 per cent of respondents received a P739 card when they were at home three or more times in last 12 months. This finding was recently confirmed by a Which? report²² that found that over the two-week period 16 per cent of those who received a P739 card reported receiving one while they were at home.

Royal Mail does not consider how it might improve security and convenience, for example by setting up more local collection points in places where Delivery Office provision is limited or reducing the number of P739 cards left when recipients are at home. It instead appears to wish to rid itself of responsibility for undeliverable items by leaving them with a neighbour, whether this is appropriate for any of the affected parties or not. We also suspect that delivery to a neighbour has been championed because it will cut costs by reducing the number of items returned to Delivery Offices at a time of dwindling Delivery Office numbers.

Other issues

There are several further issues that we would like to raise with Postcomm. An important issue that Royal Mail does not address is the increased burden this trial will place on postmen/women. In the proposed absence of input from senders or recipients they would be responsible for deciding which neighbour is appropriate, using their discretion and any local knowledge.

This task would be particularly difficult for a new or relief postman/woman to take on. If recipients are adversely affected by the choice of neighbour they are likely to direct their complaints to their postman/woman. Royal Mail also does not address the effect of a delivery to neighbour policy on delivery round times. At the moment the policy is to leave a P739 card if the recipient is not at home, but leaving undeliverable post with a neighbour adds several links to delivery chain. The time required to select a suitable neighbour and attempt a delivery to their property will add several minutes to the delivery process. The well-documented existing P739 issues indicate the time-pressures postmen/women already face.

If it goes ahead this policy change would be implemented at the height of the modernisation programme. There is likely to be serious disruption in those areas already dealing with delivery route revisions and Delivery Office closures. Given that we believe this proposal is driven by financial considerations we are also concerned that postmen/women will be pressurised to leave post with neighbours rather than returning it to the Delivery Office, and that this pressure will override other considerations such as the local knowledge of whether delivery to a neighbour is appropriate. We urge Postcomm to take the response of the Communication Workers Union to this proposal very seriously given the impact it will have on its members.

Finally, Royal Mail states that this application is in response to the demands of the growing home shopping market. However, consumers who shop online have identified an issue with PayPal's Buyer Protection assurance. As with Royal Mail's proposed policy not to accept liability for post once it has been left with a neighbour, PayPal Buyer Protection does not apply if a neighbour loses or damages post because it has been confirmed delivered. This could leave consumers who pay online using PayPal without the protection they believed would apply until they received their post. Additionally, will consumers' statutory rights under the Distance Selling Regulations be affected, should they wish to return an item within the seven working days period, but a problem or delay has occurred in obtaining the item from their neighbour?

²¹ Consumer Focus (2009), *Postal omnibus survey*.

²² Which? (2011), *Third class post*.

Conclusion

Royal Mail states that it wishes to conduct a trial to leave undeliverable post with a neighbour to improve delivery convenience in light of the growing home shopping market. Given that we believe Royal Mail intends to include an opt-out as part of the trial we believe it should proceed. However, as the consumer watchdog we have serious concerns about mail integrity, responsibility and the basic nature of the proposed opt-out, and we urge Postcomm to closely monitor the impact of the trial on all affected parties – including UK-wide senders. Interestingly, the results from multiple studies assessing consumers' responses to delivery options converge on the conclusion that there are alternative delivery solutions that they would prefer. Simply addressing existing problems with the current re-delivery and collection arrangements would improve delivery convenience. We believe that Royal Mail has decided to pursue this option despite the drawbacks because it offers cost savings, especially as Royal Mail is reducing the number of Mail Centres and Delivery Offices.

One important point to note is the likely combined impact of the proposed changes to compensation and delivery policy on businesses. This is illustrated by the following SME response:

'I send out 200 1st class packets per week. Leaving goods with a neighbour has been at the discretion of the postman for as long as I can remember. However, introducing this as a nationwide policy poses a bit of a problem. As a mail-order business, it is my responsibility to ensure that the customer receives their goods within a reasonable amount of time. The policy will open the floodgates to vast numbers of lost item claims. Royal Mail knows this, which is why they want to shrink the window of opportunity to make a formal claim, and at the same time absolve themselves of ALL responsibility for delivering my mail-order goods unless I pay for Royal Mail tracked...Royal Mail seem to have perfected the art of driving businesses away.'

We hope that consumer responses such as this give both Royal Mail and Postcomm pause for thought.



**Consumer
Focus**

Campaigning for a fair deal

Consumer Focus response to Postcomm's consultation on Royal Mail's applications to amend and align its terms and conditions for consumers and account customers and Royal Mail's application to run a Delivery to Neighbour Trial

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