

# Compliance Officer Activities

## Annual Report 2010 / 2011

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July 2011

## Foreword by the Compliance Director

1. The purpose of this report is to provide an overview of compliance activity in Royal Mail Group Ltd (RMG) relevant to parts 2, 3 and 4 of the Royal Mail Group Ltd Licence (“the Licence”) in the 2010/2011 financial year. The report covers new ground this year, following the amendment to Condition 13.5 which increases its scope.
2. As a result of this change, the report shows in more detail than in previous years the significant regulatory obligations to be met each year by RMG and the resource and attention necessary to ensure compliance.
3. RMG is going through a significant period of change, with falling mail volumes driven by e-substitution and competitive pressures from other mail operators and alternative media coupled with the need to modernise its core letters business to make it more efficient, effective and customer responsive.
4. There are also significant change factors on the regulatory front:
  - The move of postal regulation to Ofcom, a regulator with concurrent competition law powers;
  - Significant consultations relating to changes to the regulatory framework with potential impact on the scope of the Universal Service Obligation (USO), the access regime going forward, the scope of the price control and transparency requirements.
5. In this environment it is essential to keep a “steady ship”, ensuring that business as usual activity continues in a manner compliant with current regulatory and legislative requirements.
6. Royal Mail is the only company in the UK with the obligation to carry out a “one price goes everywhere” Universal Service across the UK. Thus, Royal Mail’s Licence includes Licence conditions concerned with USO provision, quality of service and complaint handling. The universal service provided by Royal Mail meets a fundamental social need and ensures access, for all businesses and individuals, to reliable and affordable postal services. Royal Mail is proud to provide this service through an integrated network serving 28.8m addresses every day, six days a week.
7. Royal Mail also continues to look for new and innovative ways of meeting customer needs and providing a successful and profitable postal service both now and in the future.
8. My aim is to ensure that compliance structures and controls are sufficiently flexible to deal with current and future regulatory structures and market developments.
9. Royal Mail recognises the importance of ensuring that the way in which it operates in the market is proactive, innovative and fair. My remit as Compliance Director includes competition law compliance and many of the activities described in this report relate equally to these aspects.
10. From a compliance perspective 2010/2011 was a busy year with resolution of several Postcomm investigations, deployment of significant training activity and review and strengthening of business compliance structures.

### *Investigations*

- a. Postcomm closed its investigation into end-to-end quality of service measurement and concluded that Royal Mail was in breach of parts of condition 4.8 and would not return to a compliant position until assurances made by Royal Mail had been fully deployed. Those assurances have now been fully deployed;
- b. Postcomm finally closed two further full investigations launched in early 2008, ending over two years of investigation and request for information (RFI) activity;
- c. There was one live investigation relating to packet pricing (opened early 2008);
- d. We have also recently responded to a complaint concerning Royal Mail Wholesale prices (March 2011).

### *Knowledge and awareness activity*

- a. More than 9600 operational managers trained face to face on Licence compliance issues;
- b. Approximately 1600 Commercial and Customer service people, 100 agency staff and all members of the Wholesale team trained face to face on Licence compliance;
- c. Assurance testing system embedded and question bank developed (over 10,000 managers have been through assurance testing);
- d. Competition law e-learning programme developed for deployment throughout 2011/12;
- e. Senior management training on Licence compliance and Competition Law.

11. In this environment my team is working to enhance RMG's compliance culture. We have taken the opportunity to step up training activity, revise our compliance framework, re-issue condition 10 guidelines for board and committee members and brief on those guidelines.

12. Our compliance objectives for the current year and going forward remain to:

- a. Foster an environment of robust regulatory control throughout business units with regular reporting to Audit & Risk Committee (ARC) and other Boards;
- b. Maintain effective and professional relationships with regulators, consumer bodies and the industry;
- c. Work with the business to mitigate potential risks across the RMG Licence (including mail integrity, quality of service, information ring fencing and anti- competitive behaviour);
- d. Manage the RFI process and respond to investigations and other breach allegations
- e. Keep knowledge and awareness levels high
- f. Act as a centre of excellence on compliance – working with Legal Services and the Group Regulation team.

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July 2011

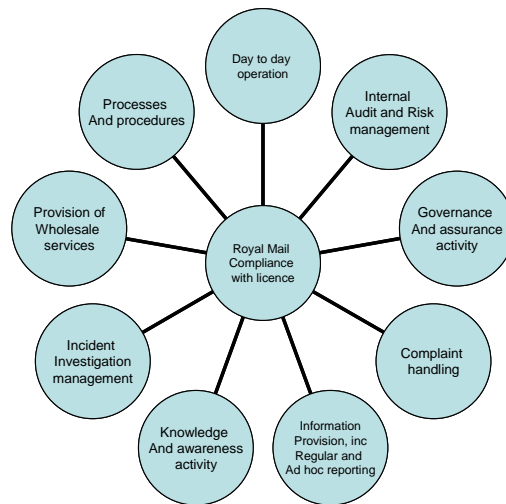
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# Introduction

1. Royal Mail Group Ltd (RMG) operates under a Licence from Postcomm, which has 8 parts. Following changes to Condition 13.5 of the Licence in April 2011, this report now covers the compliance officer's activities under parts 2 and 3 as well as part 4 of the Licence.
  - a. Part 2 of the Licence sets out the obligations RMG has to meet whilst providing the universal postal service;
  - b. Part 3 sets out the quality of services standards, the mail integrity code of practice, complaint handling standards and information provision requirements Royal Mail must meet as part of the Licence and the requirement to provide a specific service for the blind and partially sighted;
  - c. Part 4 is concerned with promoting effective competition and requires RMG to provide access to its postal facilities, not to take unfair commercial advantage of its position as access provider, not to act anti competitively and to adhere to the postal common operational procedures. Additionally this condition requires RMG to appoint a compliance officer and to report on the compliance officer's activities under parts 2, 3 and 4 of the Licence.
2. Achieving compliance with these requirements involves a significant amount of activity across RMG in terms of day to day operational activities, processes and procedures, governance, assurance activity, training etc. These make up the building blocks of compliance as set out in the chart below.

## Compliance – the building blocks



3. This report aims to cover all the aspects of compliance activity in place to ensure compliance with parts 2, 3 and 4 of the Licence.

## Royal Mail Group Context

4. Elements of parts 2, 3 and 4 of the Licence are, irrespective of Licence requirements, fundamental to RMG overall as it would always aim to:
- Ensure provision of the universal service;
  - Provide high quality products and services, maximise quality of service, minimise the need for customers to complain and ensure safety and integrity of its pipeline to minimise losses and damage to mail items;
  - Compete fairly in the postal services markets (recognising that it is subject to competition law rules and obligations as well as to licence obligations);
  - Ensure customers and stakeholders have the information they need to interact with RMG.
5. Compliance activity should be viewed within the context of overall business activity. It cannot happen in a vacuum and is only effective if part of an overall business approach. The table below sets out some examples of the way in which the 4 areas covered within this report integrate business activity, governance and specific areas of compliance activity (more detail is available elsewhere in this report).

Licence area	Lead responsibilities	Key procedures	Key governance processes	E.g. Compliance activities
Universal Postal Service	Royal Mail Operations	Collections and delivery operations Service targets General operational work plans and network plans Collections and delivery exceptions process	Local area management teams Operations regional management Operations exec Risk management Reporting	Annual and quarterly performance reporting Exceptions reporting and appeals management Operations compliance team activity Appeals management Training activity
Furthering the interest of users of postal services	Royal Mail Operations Royal Mail Customer Services	Royal Mail Operational plans and day to day activity. Customer service centres and call management and reporting	Local area management teams Operational regional management and ops executive. Operational audit activity and process management	Annual and quarterly performance reporting. Including top 10 areas of complaints. Annual action plan and postcode area performance trigger reports Training activity
Promoting effective competition between postal operations	Royal Mail Commercial Units Royal Mail Wholesale Royal Mail Group Compliance	C9 access request management Ring fenced wholesale unit Product terms and conditions	Promotion Approval procedure New Service Development procedure (and concurrence points) Commercial and Regulatory Policy Committee	Training activity Compliance Review of risk proposals (as identified by legal services) Compliance advice on business proposals Guidelines for board members
Information provision	Royal Mail Group Compliance (with units as appropriate)	Regular reporting (e.g. QofS, complaints etc) Event driven reports Condition 7 notifications RFI process	Internal review – through management process before submission. RFI teams set up on case by case basis (depending on nature of information)	Submission of all RFIs, review and submission of relevant reports Condition 13.5 report

6. The scale and scope of the Royal Mail operation is significant and the universal service is at the very heart of what Royal Mail does. RMG is very proud to be its provider in the UK. The network we operate and the activities we undertake day-to-day are driven, at a fundamental level, by the requirements of the USO. In particular, as the provider of the universal service, Royal Mail must maintain an operational capability to:
  - a. Deliver to approximately 28.8m addresses throughout the UK;
  - b. Collect from over 127k collection points in the UK (posting boxes and Post Offices);
  - c. Provide a next day (first class) service to every UK address; and handle c.62m items per day of delivery.
7. All the above activities must be undertaken six days a week, throughout the year. The need to undertake its USO activities underpins the Royal Mail operational network.
8. Our evolving regulatory framework (enabled via the new Postal Services Act), our new regulator and continued ongoing media and parliamentary interests ensure that there is continuous external (as well as internal) scrutiny of all aspects of RMG performance (including compliance).

## Legislative context

9. The RMG Licence is issued by Postcomm pursuant to powers in the Postal Services Act 2000. The Postal Services Act 2011 has changed the relevant legislation and includes a change of regulator from Postcomm to Ofcom during 2011. Currently we are in a transition period between Postcomm and Ofcom and it is anticipated that Ofcom will put in place its approach to regulating the postal industry during 2012. The compliance team will be working with other specialist teams within RMG to ensure that this is a smooth transition from a compliance perspective.
10. In addition to its Licence obligations, RMG is, like any other UK corporation, subject to UK and European competition legislation. Our compliance policy is cognisant of this position and aims to minimise the risk of breach.
11. Although Postcomm does not hold concurrent competition law powers with the Office of Fair Trading (OFT), Licence condition 11 builds similar requirements into the Licence. Therefore, as the OFT has powers under the Enterprise Act and Competition Act and Postcomm has powers under Royal Mail's Licence to investigate potential anti-competitive behaviour, Postcomm and OFT have agreed a Memorandum of Understanding (MoU) to clarify the roles of Postcomm and OFT in this respect. This MoU can be found on Postcomm's website ([www.postcomm.gov.uk](http://www.postcomm.gov.uk)). As regulatory responsibilities are handed over to Ofcom, which has concurrent powers with the OFT, this position is likely to change,

## Condition 13 – appointment of the compliance officer

12. Condition 13 requires RMG to appoint a compliance officer. For the purpose of this condition the RMG Compliance Director (Anne Fletcher) is the Condition 13 compliance officer. Anne took over from Luke March who left Royal Mail Group Ltd on 30 June 2010. The responsibilities of the Compliance Officer are set out in Licence condition 13. Specifically 13 (4) states.

The Licensee shall assign the following tasks to the Compliance Officer –

- a) the establishment of procedures, after consulting with Postcomm, for ensuring that-
  - i. the conditions of this Part of this Licence;
  - ii. any requirement made on the Licensee under conditions 17 and 18 of this Licence, and
  - iii. the precautions referred to in paragraphs 1 and 2; are effectively complied with,
- b) the investigation of any matter which is the subject of a representation made to the Licensee that the Licensee may be contravening any conditions of this Part of this Licence or that the procedures established under paragraph (a) are not being complied with or are defective.
- c) the giving of advice to directors and employees of the Licensee or any related person of the Licensee for facilitating compliance with the conditions of this part of the Licence and the procedures established under paragraph (a) and, in particular, as to whether any information is information to which paragraph 3 of condition 10 applies.

13. Condition 13.5 (as amended) requires RMG to provide Postcomm and publish a comprehensive report on:

- a. The Compliance Officer's activities pursuant to the conditions contained in this part [part 4] of the Licence, and
- b. The key activities of the Licensee's compliance function in connection with the conditions contained in Parts 2 and 3 of this Licence during that year.

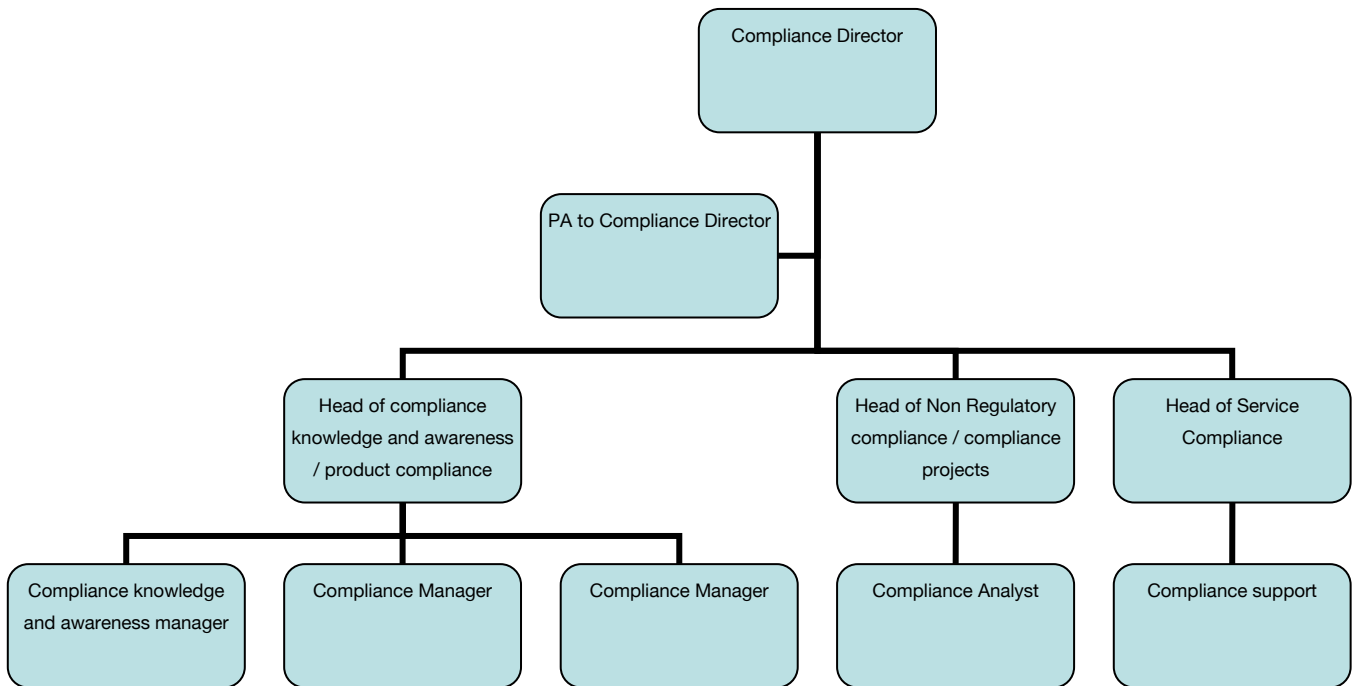
14. This report sets out the Compliance Officer's activities for 2010/2011 pursuant to that reporting requirement.

## Compliance Director and Team responsibilities

15. The Royal Mail Group Compliance Director and her team discharge the roles of compliance officer under condition 13 as well as the other compliance roles specified in the Licence (e.g. in condition 4). They also work with the business to minimise competition law risks and ensure such risks are mitigated.

16. During the year the compliance team was restructured as part of the restructure of RMG Central functions. The new structure of the compliance team is shown below.

Compliance Team structure:



17. The Compliance Director has overall responsibility for the functions of the team. Each part of the team has a specific role working closely with the rest of the team and the business:

- a. The Head of Compliance knowledge and awareness / product compliance is responsible for ensuring training programmes are in place across the business for both Licence and competition law compliance. This team also leads on Royal Mail’s responses to investigations into alleged anti-competitive behaviour and works with business units to manage and mitigate risks of Licence and competition law breaches, e.g. advising on new product proposals. From a Licence perspective, the team’s main focus is on Conditions 7, 9, 10, 11, 14 and 17;
- b. The Head of Non-regulatory compliance/compliance projects handles a range of specific projects such as investigations and information requests (and is also preparing for the implementation of the new Bribery Act which is outside the scope of this report);
- c. The Head of Service Compliance focuses specifically on Conditions 2, 3, 4, 5, 8 and 18 and works closely with the operational arm of RMG to ensure that quality of service, complaint handling and mail integrity requirements are met. This role will also lead on any investigation activity within this area.

18. The central compliance team has access to all the resources it needs to carry out its functions across business units (via compliance coordinators), Legal Services, Regulation, Security and Internal Audit & Risk Management (IA&RM) as and when it is required.

19. The central compliance team keeps itself up to date on regulatory and legal developments via regular training and attendance at appropriate professional forums and external workshops.

## General procedures and activities in 2010/2011

20. This section of the report sets out details of compliance activity of general impact on Licence and competition law compliance.

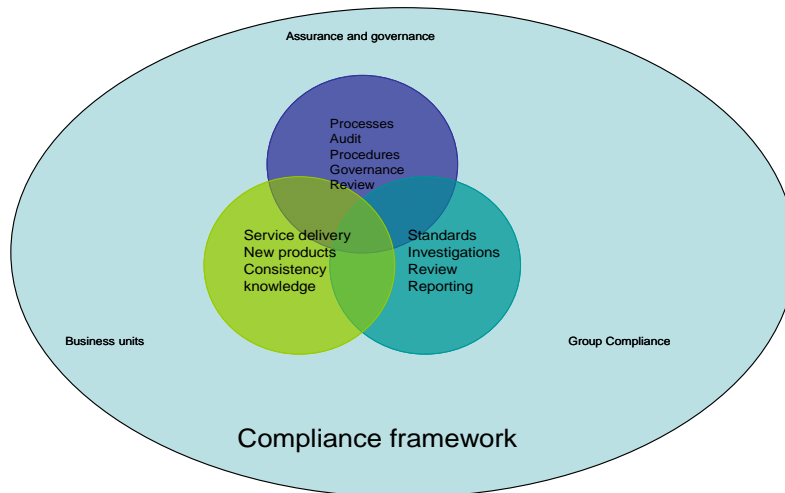
### Royal Mail Compliance framework

21. The activities of the compliance team are carried out within the context of a compliance framework which was put in place in 2005/06 when the compliance team was first created.
22. Alongside the restructure of RMG central functions in 2010/2011 the compliance team reviewed and refreshed this framework. The review reflected the changes arising from the restructure and to the Compliance Director's remit. This sets out how the compliance unit discharges its compliance obligations within the context of an overall compliance framework.
23. The compliance framework establishes a set of principles on which the business can build its compliance related knowledge and awareness activity, risk management and governance and relevant policies and procedures in support of day-to-day compliance. The principles and guidance in the framework catalyse knowledge and awareness activity, risk assessment and the procedures required to ensure a culture of compliance in day to day activities.

## Achieving a compliance culture



24. The compliance framework is constructed in 3 parts setting out the roles of the compliance team, the business units (and their compliance co-ordinators) and the role of assurance and governance. The figure below illustrates how these three aspects work together within the overall compliance framework.



25. The purpose of the framework is to:

- a. help the business meet its regulatory obligations when undertaking its business activities;
- b. promote a culture of compliance within day-to-day business activities.

26. Necessarily this framework is set out at a high level. The detailed approach taken in each business unit varies depending on their business activities and the risks associated with them but follows the following key principles:

- a. RMG will compete vigorously in all its markets and will do so fairly;
- b. Compliance will be embedded in “business as usual” activity;
- c. Business units are responsible for ensuring they comply with the obligations relating to their business activities (responsibility “in the line”);
- d. Governance structures will minimise risk of non-compliance;
- e. Reporting of non compliance is encouraged and any consequences should be effective;
- f. RMG will cooperate fully with regulatory and competition authorities to foster effective working relationships on compliance matters.

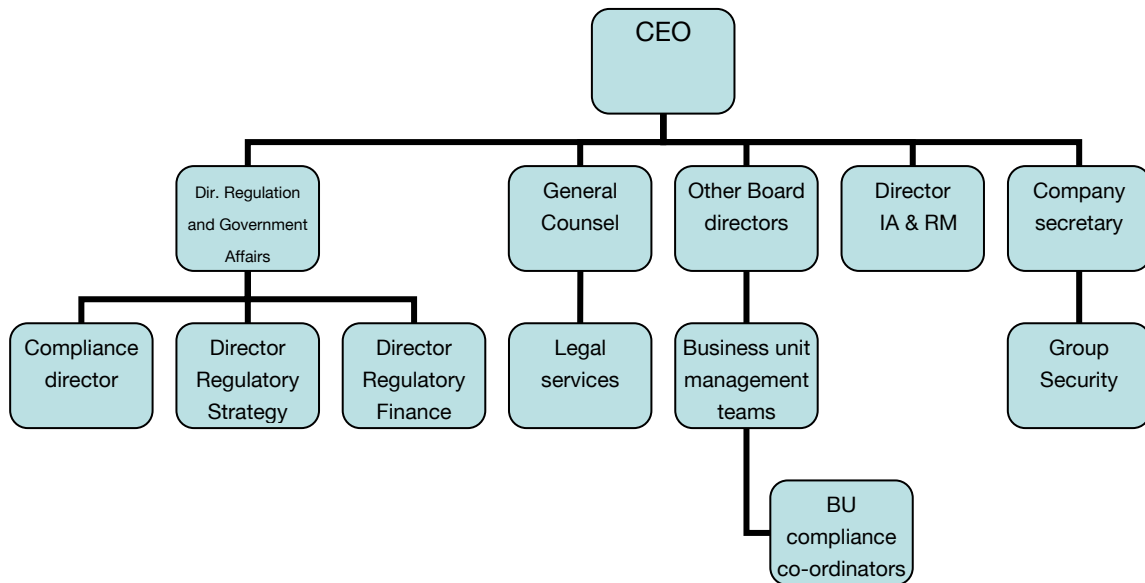
27. Within the compliance framework the role of the Group Compliance team is specifically to
- a. Interface between Royal Mail and regulatory/consumer bodies on compliance matters;
  - b. Adhere to the requirements of compliance roles specified in the Licence (e.g. Compliance Officer under Condition 13);
  - c. Lead on Investigations (whether externally or internally generated) and formal information requests;
  - d. Provide advice (and where required concurrence) to RMG on compliance issues relating to product development, organisational structures and regulatory policy development and to work with business units on assessments, mitigation actions, training activity, monitoring and reporting.

28. Group Compliance works closely with the Group Regulation team and Legal Services. Respective roles are highlighted in the table below.

Table 1: The roles of Group Regulation, Legal Services and Compliance teams

Group Regulation	Group Compliance	Legal Services
<p>Day to day contact with Postcomm and Consumer Focus on regulatory policy matters and consultations.</p> <p>Responsible within Royal Mail Group Ltd for regulatory policy developments (across the Licence) and business requests for regulatory approval. This includes Postcomm involvement in issues such as Condition 21 price control.</p> <p>Responding to all consultation papers.</p> <p>Responsible for providing business advice on new or developing regulatory policy matters and for negotiation of the Licence on Royal Mail Group Ltd's behalf at each price control review.</p>	<p>Oversee and co-ordinate overall compliance with the Licence including management of Condition 17 and 18 information requests and investigation of alleged Licence breaches.</p> <p>Assessment of adequacy of the procedures in place to meet the requirements of the Licence including compliance assessment of business proposals.</p> <p>Discharges the roles of Compliance Officer under Part 4 (condition 13) of the Licence and Quality of Service Compliance Officer (condition 4).</p> <p>Working with business units to ensure compliance policy and framework is deployed through the organisation and set knowledge and awareness standards and top-level compliance messages for business units to deploy.</p>	<p>Guidance and advice in relation to requests for information, investigations and consultations.</p> <p>Advising on applications to Postcomm / Consumer Focus under the Licence (e.g. C21).</p> <p>Competition and regulatory law advice on business proposals.</p> <p>Providing legal advice to business units, Regulation and Compliance on interpretation of legal and regulatory requirements.</p> <p>Providing legal advice associated with any policy or process designed by the business to address compliance risks.</p>

29. The key teams involved in compliance and assurance activity are located as follows within RMG



30. Although business unit management teams are responsible for meeting compliance requirements, specialist teams across the organisation assist them in achieving compliance. This includes:

- a. Group Compliance – oversee the overall compliance framework and work with business units to achieve compliance obligations, working particularly with business unit compliance coordinators;
- b. Legal Services – provide legal and regulatory advice to business units;
- c. Group Regulation – lead on the development of regulatory policy and work with Group Compliance to increase understanding of regulatory requirements. Assisting in management of requirements for information (under conditions 17 and 18) and regulatory investigations;
- d. Internal Audit and Risk Management (IA&RM) – establish and agree with the Audit and Risk Committee (ARC) an annual plan of assurance and risk management activity that is aligned to the risks and strategy of the business (this includes compliance related matters);
- e. Group Security – specific responsibility for Mail Integrity compliance, investigation of incidents and collecting evidence required for prosecution activity.

31. As the framework requires business units to comply with the obligations relevant to their area of activity their role is crucial in ensuring overall compliance with Licence conditions. Their key roles are:

- a. Delivering Licence requirements (service performance, price control, complaint handling etc.);
- b. Compliance Co-ordinator within each unit responsible for business unit actions, facilitating training/awareness and meeting any relevant monitoring and reporting requirements;
- c. Carry out required training and awareness programme;
- d. Report issues of concern to the Compliance Director as and when arising.

32. An ARC agreed programme of assurance activity was carried out during the year. For each assurance assignment IA&RM assessed whether there were Compliance related risks or issues that require assurance and reported relevant findings to the Compliance Director. Approximately 30% of IA&RM assurance activity during the year related in some way to Licence Compliance.

33. Additionally, the Compliance Director inputs into the internal audit team's annual work plan and receives copies of all audits that have or could have Licence implications.

34. On occasions it is necessary to undertake additional audit activity to assess a specific Licence issue. For example in 2010/11, following the investigation into measurement of quality of service performance, Internal Audit (and external lawyers) were asked to assess various aspects of the actions taken arising from this investigation.
35. The Compliance Director provides regular reports to the Audit and Risk Committee (ARC) in Royal Mail, is a member of the Risk Management Committee and chairs the Post Office Limited Risk and Compliance Committee.
36. In addition to the assurance activity above the following key “in process” assurance activity takes place:
- a. After each deployment of training activity (e.g. operational training, commercial training etc) attendees go through an online assurance test to assess knowledge retention and to assess whether there are specific areas where further training intervention may be required;
  - b. Each commercial proposal is reviewed by Legal Services who will (if it is deemed to carry risks against Licence or competition law compliance) refer the proposal to the Compliance Director for review (see paragraph 178 below for further details);
  - c. Teams of auditors within Royal Mail operations focus on the performance of the operational pipeline (key to enable USO delivery and quality of service performance);
  - d. Fleet and network audits (associated with core business operations);
  - e. Royal Mail Security audits relating to compliance with crime prevention and security standards, aviation and protective security.

The table below sets out the overall structure of governance and risk management impacting on Licence compliance.

	Day to day operation	Output	Risk management
Governance	Holdings Board Commercial and Regulatory Policy Committee Audit and Risk Committee Risk Management Committee Compliance Committee  Business unit ECs Mail Integrity Working Group	Regular reporting/attendance Regular reporting/attendance Regular reporting/attendance Regular reporting/attendance Compliance information share & best practice Regular reporting/attendance Review code compliance	Review of compliance activity and focus for next year  Review key risks and mitigating activity
Risk Management / and audit	Carrying out an annual audit plan focusing of key areas of business risk, also taking account of compliance risks	Reports to business sponsor, Compliance director and ARC as appropriate	Annual Risk Management and Internal Audit plan (including compliance risks)
Compliance unit	Oversight activity, review of business proposals, Information provision to Postcomm Management of RFIs and investigations	Regular and periodic reporting Responses to RFIs Recommendations / advice to business units (teams and directors)	Review with compliance Development of training programmes for delivery in units Providing compliance projects to audit plan
Business units	Delivery of service Information generation Product development, etc	Complaint handling, quality of services, product proposals, Sales activity, customer service management, etc	Regular in process measures, Delivery of training programmes and induction Management of the promotion approval procedure (assessing legal and regulatory risks)
Other – legal / regulation	Legal advice on competition law as well as licence implications of business proposals	Legally privileged advice provided to business units and compliance as appropriate	Fundamental part of risk assessment of commercial and business proposals

### *Governance*

37. The Compliance Director reports to the Director of Regulation and Government Affairs (who is a member of the Group Executive Team) and regularly attends and reports to the Audit and Risk Committee on compliance matters. She is also a member of the Risk Management Committee.
38. The Commercial Policy and Regulatory Committee (CRPC), set up following a review of governance, meets every month and manages issues in relation to setting regulatory policy and scrutinising commercial decisions (particularly around new products and pricing). In particular, the CRPC manages issues of regulatory policy, price control and deregulation, pricing policy, costing & measurement policy, new product approvals, old product removals, T&Cs (major change), credit policy, etc.
39. The committee is chaired by the CEO. Its membership includes MD Operations & Modernisation, Group Finance Director, Chief Customer Officer, Director Regulated Products, Director Business Development & Strategy, General Counsel, MD Royal Mail Wholesale, Director Regulation & Government Affairs. Although the Compliance Director is not a member of the committee she submits papers and attends on appropriate issues.
40. In order to manage information carefully in the governance process, the Compliance Director has had 1:1 sessions with CRPC members to highlight their Condition 10 responsibilities and has also issued updated Condition 10 guidelines for boards and committees.

### *Internal compliance control*

41. The focus of internal control mechanisms continues to be to minimise the risk of non-compliance with Licence conditions particularly in higher risks areas such as commercial proposals, quality of service compliance, mail integrity, consistency of treatment between wholesale and retail customers and ring fencing of access information.
42. Internal controls cannot fully eliminate the risk of non-compliance. The Compliance team puts considerable emphasis on increasing both the technical and cultural awareness of regulatory compliance. To this end significant training activity has been deployed throughout the year (see below).
43. Additionally in August 2010 a helpline was introduced to enable staff to report issues where they believe controls may deliberately (or otherwise) be by-passed. Since its inception the RMG 'Speak-Up' line has received over 50 disclosures. The majority of these have been lower priority issues which have been passed on to the appropriate business contacts e.g. Group Security. Higher priority disclosures are reviewed by the Speak-Up Committee, chaired by the Company Secretary, of which the Compliance Director is a member.

### Information provision

44. The compliance team is responsible for ensuring that information required under the licence is provided to Postcomm. Information provision pursuant to Licence obligations falls into three broad categories:

#### *Category 1: Regular and event driven reports*

45. These are derived from express requirements within the License (with more than 50 individual reports being produced each year).

#### *Category 2: Additional requirements arising from undertakings / directions / voluntary reports and other legislation.*

46. This includes reports required by Undertakings or Directions (with around 25 such reports being provided each year).
47. In accordance with the Undertakings given to Postcomm in 2005 which created the Promotions Approval Procedure (PAP), work is undertaken to ensure that new products and amended products in the controlled area, are properly risk assessed. The output of this activity is in most cases a Condition 7 notification to Postcomm.

#### *Category 3: Ad hoc requirements and RFI activity*

48. This category relates to ad hoc information provision. The range of RFIs goes from relative straightforward checking of fact to extremely complex requests requiring detailed analysis. E.g. the Business Planning Questionnaire generated a response which exceeded 1,000 pages in length. During 2010/2011 there were 12 RFIs from Postcomm covering a wide variety of issues.
49. Depending on the nature of the report / information requirement the compliance team or regulation team will usually take the lead on a response but a comprehensive reply will typically need interaction with managers across a number of business units.

#### Category 4: Other information provision

50. Royal Mail also provides information in other contexts such as when the business engages in proactive measures to inform Postcomm of its plans, respond to consultations, to educate Postcomm staff about our products and processes, to deal with informal questions from Postcomm, etc.

#### Some examples of the types of reports / information provided

Category	Example Reports
Regular/ Event Quarterly report	Quality of service results (Condition 4.9 (a) – quarterly reports
Regular / Event Annual report	Annual quality of service statement (Condition C.4.9 (b) setting out action plans to achieve standards in following year. Provided on calendar year basis
Regular / Event annual report	C.4.9(d) Report on annual performance – Force Majeure Submission
Additional requirement- Direction under Condition 2.4(a) (ii)	Report detailing the delivery addresses and collection points that are exempted from the daily delivery and collection requirement of the USO, e.g. on the basis of Health and Safety and difficulty of access.
Regular / Event reports	New requirements under condition 15 .6 to create and provide to PC a new Costing Manual in clear language and to supply a copy to whoever asks.

#### Advice, guidance and training

51. Throughout the year the Compliance Director and her team advise business units, directors and individual members of staff on compliance matters. This happens within the context of formal roles (CRPC, review of commercial proposals), via advice on structural matters (e.g. at the recent restructure of group functions) and through providing general guidance and training content for the business units to deploy. The paragraphs below sets out the key activity in this area during 2010/11.
52. As part of the recent restructure of central functions new senior management teams were constituted across the various business units. The Compliance Director led sessions with those teams (Royal Mail Wholesale, Commercial Regulated, Parcelforce Worldwide, etc) to take them through key compliance obligations in the Licence and competition law (in addition to other activities outside the scope of this report). Following these sessions she has also been asked by some units to deliver such sessions to the next tier of management. These sessions are ongoing.
53. The Group Compliance team is also working with business units to update existing compliance manuals and to develop guidelines on ways of working.
54. With new members on the various boards across the business Group Compliance has also updated and reissued the Condition 10 guidance for board members.

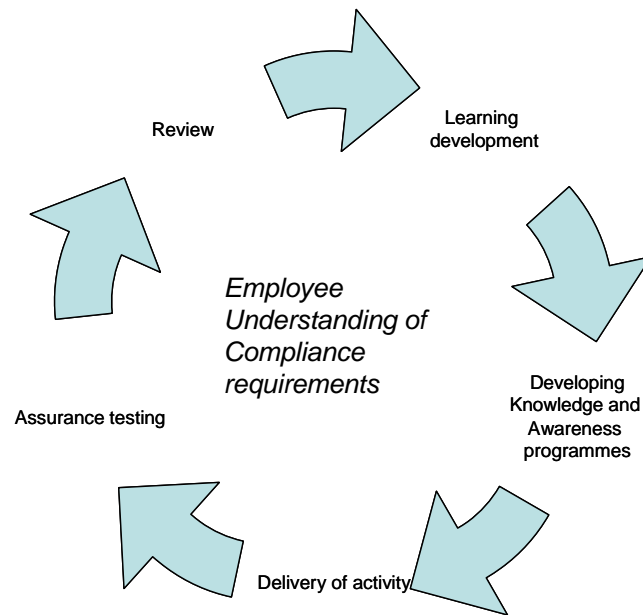
## Knowledge and awareness activity

55. During 2010/2011 the Group Compliance team has focussed on the following:

- a. The purchase and deployment of a compliance assurance software tool to be used to test levels of compliance awareness. Most of those in the operational management structure have been trained and tested as have the commercial and customer service teams.
- b. The Compliance Director has personally briefed the new business unit senior teams on Licence compliance and competition law.
- c. During the year significant scenario based face to face training was deployed for operational managers in Royal Mail covering key issues impacting on Operations such as quality of service measurement, mail integrity and consistency in service provision. By the end of March 2011 this had covered more than 9600 people. This formed part of assurances given by Royal Mail in response to Postcomm's quality of service measurement investigation concluded last year. The training used video, case studies and breakout sessions to help attendees maximise knowledge retention.
- d. The training was followed up with an electronic link to complete an online "assurance" test. The test consists of 25 random questions to be answered in 30 minutes, which offers assurance that key lessons were understood.
- e. Those delegates who failed to answer questions relating to Licence conditions 4 and 8 correctly, or who fell short of the required pass mark for their job role, have been offered further development by way of e-learning which consists of 10 compliance modules relating to operational Licence conditions. There is short test at the end of each module to confirm understanding.
- f. Commercial and customer service staff were also trained during the year and the training followed up with assurance testing and targeted communications were appropriate. Group Compliance has also rolled out face to face training for Finance.
- g. During the year Royal Mail developed a basic Competition Law e-learning programme. At the end of the year this had been tested with a small group of people and will be rolled out widely during 2011/2012. It is aimed at all managers and covers key aspects of competition law with scenarios specific to Royal Mail to aid understanding and to ensure that the learner knows where to go for further advice.

56. The Royal Mail approach to knowledge and awareness activity is illustrated in the figure below:

### Compliance approach to knowledge and awareness activity



57. The process of ensuring appropriate levels of knowledge across the business is continuous and a typical cycle is set out in the figure. For example, the deployment of training to operational managers (face-to-face classroom training) was followed up by assurance testing using a software system to assess how well knowledge was retained and to assess what further training interventions may be required.

58. During 2011 / 2012 the regulatory framework will be changing (arising from the new Postal Services Act 2011 and including the handover of regulatory responsibilities to Ofcom). It is anticipated that the learning from existing training plus any changes to regulatory requirement will be taken together into assessing what the future training requirements will be from 2012 onwards.

## Specific Licence part 2, 3 and 4 activities and procedures

59. The following sections set out specific activities undertaken and procedures in place in 2010/2011 to ensure the requirements of Parts, 2, 3 and 4 of the Licence, and conditions 17 and 18, are met.

### Condition 2 Provision of universal postal service in the United Kingdom

60. Royal Mail – the UK letters and parcels business – is a vital part of the UK's economic and social infrastructure. Royal Mail is the only provider of the UK's Universal Service for some of the lowest prices and highest service quality in Europe. It provides a daily collection and delivery service at uniform and affordable prices. Royal Mail also provides the social and economic glue in every single community with its reach to 28.8 million addresses across the UK, six days a week.

61. Royal Mail collects mail from over 115k post boxes (often more than once a day) as well as from 11,820 Post Offices and more than 80,000 businesses. Royal Mail delivers to 27.2 million residential addresses and 1.6 million registered business addresses.

62. Royal Mail sorts the mail in 59 mail centres across the UK and transports it around the country using 33,000 vehicles and trains and 25 charter aircraft. Royal Mail employs 130,000 postmen and women in 1,371 delivery offices, delivering approximately 62 million items of mail every single working day.

63. Our Post Office network is bigger than all of the UK High Street banks combined. In 11,820 Post Office branches they serve around 20 million customers every week. Over 99% of the UK population lives within three miles of a Post Office.

64. The Licence requires Royal Mail to provide a postal delivery to every address in the UK every working day, with a few exceptions, and to provide daily collections from each access point. Our performance during 2010 / 2011 in relation to the these two USO measures was:

% of Collection points served each day: 99.64% (target 99.90%)

% Delivery routes completed each day: 99.39% (target 99.90%)

65. These results are before any account is taken of events beyond Royal Mail's control, such as the impact of two major challenges that Royal Mail faced to its collections and delivery operations last year – the volcanic ash cloud and the harshest winter in 30 years. As agreed with Postcomm, the Head of Service Compliance has made submissions to Postcomm each quarter to seek adjustment for such events. The adjusted (finalised) performance numbers, if these submissions are accepted, would be 99.86% for deliveries and 99.92% for collections.

66. It is a Licence requirement that an independent auditor is appointed by Royal Mail to perform a review of the suitability and the extent and consistency of application of the methodologies used to measure Royal Mail's performance in the following measures defined in our Licence,

- a. The percentage of collection points served (at least once) each working day (including business collections);
- b. The percentage of delivery routes completed each working day;
- c. The percentage of Special Delivery (Next Day) mail which was delivered the following working day on or before 13.00.

67. The Head of Service Compliance ensures that the auditor discharges its responsibility and issues the required quarterly reports and annual summary to Postcomm and Consumer Focus. Last year

the external auditors were able to confirm that the results had been correctly extracted from our systems and accurately reported.

*Condition 2.4 (a) delivery and collection exceptions*

68. The Licence requires Royal Mail to provide at least one delivery to the home or premises of every individual or other person in the UK and at least one collection of relevant postal packets from each access point except in such geographical conditions or other circumstances as Postcomm may by direction designate.
69. Consequently Postcomm has issued directions to Royal Mail which allow Royal Mail not to deliver (or collect) in the event of difficulty of access, for health and safety reasons or where the customer has requested no delivery.
70. Postcomm issued a Direction in August 2006 entitled "Exceptions to Royal Mail's Universal Collections Service". This exception has been subsequently repeated in Postcomm's "Exceptions to Royal Mail's Universal Collections Service: A Policy Document and Direction" dated 1 October 2008<sup>1</sup>. In October 2010 Postcomm extended the validity of the collection direction until 31 December 2013 in its "Notification of extension to USO collections exceptions Direction."<sup>2</sup>
71. Postcomm issued interim directions in March 2001, September 2001, March 2002 and December 2002 with a longer term delivery direction issued in January 2003, January 2006 and April 2007.
72. Directions under this condition for both collection and delivery were made in October 2008 and October 2009 (the 2009 direction was replaced by a direction in December 2010).
73. The directions recognise the fact that Royal Mail cannot always deliver to every delivery point nor collect from every collection point for either difficulty of access or health and safety reasons and allow Royal Mail to designate such delivery points and collection points as either long or short term exceptions to the USO requirement for daily collection or delivery, and require Royal Mail to report (and publish) on the long and short term delivery (annually) and long term collection exceptions (annually). Royal Mail Group is also required to report to Postcomm (and publish) a report three times a year of short term collection exceptions. Information about collection and delivery exceptions were also published in the transparency report included in the most recent Report and Accounts (published 14 June 2011) and is available on [www.royalmailgroup.com](http://www.royalmailgroup.com).

*Delivery exceptions*

74. RMG reports on designated delivery exceptions resulting from long term difficulty of access and long or short term health and safety reasons (less than 12 months). A short term difficulty of access is one which can be resolved whereas a Long Term difficulty of access problem is almost always incapable of resolution. Where a delivery exception is in place Royal Mail does what it can to provide for alternative delivery arrangements.
75. In its last report on delivery exceptions Royal Mail listed 2985 delivery exceptions approximately 0.01% of the 28.8m delivery points in the UK.

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<sup>1</sup> Available on <http://www.psc.gov.uk/documents>

<sup>2</sup> Available on <http://www.psc.gov.uk/documents>

### *Reporting*

76. To compile the annual delivery exception reports the business contacts the relevant operational managers within the 11 operational regions in order to confirm that;
- a. the number of entries is correct;
  - b. confirm whether the exceptions are still valid or the delivery reinstated;
  - c. confirm that the classifications for the exceptions are correct.
77. The output of this process is checked by the business and finally by Group Compliance to ensure that the final reports are as accurate as possible. Details from the most recent delivery exceptions report are included at annex 1.

### *Process*

78. Group Compliance work with the Royal Mail operational team throughout the year to manage the reporting process,
79. Group Compliance has also advised the business directly throughout the year on queries relating to the correct application of the exceptions and appeals process. When the decision has been taken to suspend a delivery and the customer, after exhausting the internal appeals process, appeals directly to Postcomm, Group Compliance receive notification of the Level 3 Appeal. It then conducts its own investigation, asking questions and requesting paperwork and statements and checking that no material steps or facts have been overlooked. Group Compliance then works with the business to provide Royal Mail's reasoning and evidence to Postcomm for their review of the appeal. The typical steps taken as part of the exceptions process are set out below. The timetable is set out in the Direction and a copy is sent out to the customer accompanying each letter where a delivery has been suspended (see annex 2 for details).
- a. When a post person identifies a problem with a delivery point for Health & Safety (H&S) or difficulty with access reasons they report their concerns to their line manager either verbally or through the completion of a "workplace assessment" which should then be entered onto Royal Mails walk risk assessment platform (WRAP). If the risk identified is H&S related then the manager conducts an initial H&S assessment and may request further advice or support from their local H&S advisor. For difficulty of access cases the manager assesses the situation personally. The Manager then advises the customer of our concerns formally using a standard letter and requests that the problem be addressed by a specified date (save in emergency cases where there is an immediate risk of harm e.g. dog bite, in which case the formal standard letter explains that the suspension is starting immediately). The letter provides details of the appeals process.

- b. If no improvement has been made by the end of the specified time period the Delivery Office Manager writes again advising that daily delivery has now been suspended, and that mail can be collected from the delivery office and the conditions for collecting these items e.g. appropriate forms of identification etc. He also advises the customer that he has three months from the date of the letter in which to appeal. If the customer appeals, the Stage 1 Appeal is conducted by the Delivery Sector Manager who has one month in which to review the original decision and respond to the customer advising whether or not it has been upheld. If the customer is not satisfied there is an additional month in which to lodge a Stage 2 Appeal to the Regional Director of Quality & Service Integrity. The Director has two further months in which to review the case and notify the customer of the outcome of the review. In Health and Safety cases at both stages 1 and 2 the reviewer would seek additional support from the appropriate levels of Health & Safety advisor.
- c. Thereafter the Customer may refer the case to Postcomm (stage 3) within one month of the stage 2 decision. Postcomm then reviews the case and notifies both parties of its decision. At stage 3 Group Compliance liaise with Postcomm and the business to ensure that Postcomm have all the information they require to be able to assess the case fully.

80. During 2010/2011 there were 2 stage 3 appeals dealt with by Group Compliance. Postcomm has suspended one of these cases as the customer had failed to respond to their enquiries. The other case arose from a Health and Safety issue suffered by a Postman whilst delivering at the address in question. Following correspondence with Postcomm, explaining our reasoning for the suspension, Postcomm obtained its own health and safety report, and upheld the decision taken by Royal Mail.

#### *Collection exceptions*

81. Each year Royal Mail reports annual collection exceptions and, three times a year, short term exceptions. The most recent report (31<sup>st</sup> March 2011) showed 2,180 long-term universal service collections exceptions representing around 1.7% of the total collection points.
82. The majority of these are Post Boxes and Post Office branches which do not receive a full 6 day collection service due to access difficulties. They include collection points where we can deliver 5 days a weeks but not on the sixth because the property is not accessible on a Saturday (e.g. law courts, part time post office branches, etc).

#### *Reporting*

83. On compiling both types of collection exception reports the business contacts the relevant Operational managers and on providing them with a copy of the previous report they are required to;
  - a. review and update the long term and short term files;
  - b. add in any new exceptions and remove any that have gone back into service or have been permanently removed;
  - c. ensure that the correct processes have been followed in each case;
  - d. check if a risk assessment is available for a health & safety exception;
  - e. update the expected date for reinstatement of collection points which have been temporarily excepted;
  - f. ensure that the designations (i.e. health and safety or difficulty of access) are correct.

84. On receipt of the above information together with details of the collection points which are no longer accepted the data is checked by the business and again by Group Compliance before the short term and long term reports are submitted and published. An extract from the collections exceptions annual report is shown at annex 3.

### *Process*

85. The Appeals process set out in the Universal Service Collection Exception Direction begins when the business is notified that a collection point (e.g. collection box) is problematic due to a health and safety or a difficulty of access issue. Royal Mail then must attempt to post a notice, on the box or a suitable prominent site, containing the collection times and location of the nearest alternative access points and the telephone number for customer services plus the estimated date for the resumption of normal collection services (if the issue is temporary). A risk assessment must also be undertaken and retained for all H&S issues every 6 months. Customers affected by the suspension may seek a review of the decision by Royal Mail Customer Services.
86. Should the customer(s) still not be happy with the classification as an exception, the matter may be escalated up through the normal customer services escalation process until it reaches the Postal Review Panel. If the customer is still not happy with their decision, the customer may refer the decision to Postcomm within 1 month for a final adjudication. Postcomm must then conduct a review of the facts and notify the customer of the outcome within 4 months of the Appeal. There were no Appeals to Postcomm within 2010/2011.

## Condition 3 General universal service obligations

### *Access Points*

87. As the universal service provider Royal Mail is committed to providing a postal delivery to every address in the UK every working day, with few exceptions. We are also committed to providing daily collections from each access point.
88. Royal Mail is also committed to helping those who find it more difficult to access our services. The following sections show how we assist those who live in remote areas and have limited access to postal services.

### *Condition 3.3*

89. Condition 3.3 requires RMG to create and publish a statement explaining provision of provide access points for those customers who do not live within 10 kilometres of an access point which is capable of dealing with the largest packets. This is published on the RMG website ([www.royalmailgroup.com](http://www.royalmailgroup.com)) under Social Action.
90. The statement explains that access to the collection network for the largest packets is primarily provided by way of Post Office <sup>TM</sup> branches from which mail is collected 6 days a week. In rural areas Post Office <sup>TM</sup> branches may not operate daily. In those areas Royal Mail vans carry postage and packets and items can be handed to the delivery officer as long as the weight or dimensions are not excessive. For a small fee, packets on which postage has been paid may be left at a lockable roadside delivery box, or at an unlocked box at the customers own risk. Customers may also elect to pay for a contractual collection service on a daily or one off basis save in those areas which are exempted from the USO.

### *Condition 3.4*

91. Condition 3.4 requires Royal Mail to create and publish a statement explaining the arrangements in place to enable the physically vulnerable to make use of post boxes and access points without

significant cost. This is also published on the Royal Mail Group Website ([www.royalmailgroup.com](http://www.royalmailgroup.com)) under Social Action.

92. Group Compliance is currently working with the business to review and update the statement in accordance with the requirements of the amended Condition 3.4.b.

#### *Contingency Planning*

93. Royal Mail has (and is required to have by its Licence) robust contingency plans to enable it to maintain (as far as practicable) the universal service during emergency, natural disaster or in the event of industrial action. During last year, Royal Mail was impacted by two significant events beyond its control:

- a. The closure of UK airspace in April 2010, as the result of an ash cloud had a significant impact on Royal Mail's first class mail service. The air network forms a key part of Royal Mail's ability to deliver first class service by the next working day, as it may not be possible for mail which usually travels by air to connect in time by road. The closure of key airports meant that all postcode areas across the UK were affected to a greater or lesser degree throughout the period 15 April to 20 April 2010;
- b. During November and December, the severity of the weather conditions meant it was not possible to maintain anywhere near a normal service. The intensity and widespread nature of snowfall across the country, together with the prolonged freezing conditions, had a severe impact on collection and delivery capability and the network infrastructure upon which Royal Mail is dependent to maintain its service. Extensive airport closures and flight delays were a particular problem.

94. The contingency plans deployed by Royal Mail during both periods of disruption were designed to deliver a high standard of service to customers through the period of disruption. Whilst not offering a full and normal service, the aim was to operate to the highest levels possible, within the circumstances and without compromising the health and safety of Royal Mail employees.

95. The broad aims of Royal Mail's response to the disruption caused by the ash cloud were to:

- a. Seek advice from NATS (National Air Traffic Service) based on the latest information from the Met Office and CAA (Civil Aviation Authority) about the movement of the volcanic ash cloud, and to evolve contingency plans as necessary to take account of these conditions. The Head of Air Network for Royal Mail participated in daily (sometimes several times a day) conference calls with NATS and Eurocontrol (the Brussels-based agency coordinating air traffic control centres throughout the continent) to discuss the latest airspace closures;
- b. Divert mail where it could not be transported by air and where this was practicable;
- c. Minimise the delay in mail reaching its destination by utilising additional staff and vehicle resource, where this was practicable;
- d. Ensure customers were kept informed of the developing situation and its effect on the service provided by Royal Mail.

96. The broad aims of Royal Mail's response to the severe weather disruption were to:
- a. Safeguard the health and safety of all Royal Mail employees;
  - b. Monitor the changing weather conditions using specialised systems and evolve contingency plans as necessary to take account of these conditions;
  - c. Divert mail where it could not be transported by expected means and where this was practicable;
  - d. Minimise the delay in mail reaching its destination by using extra staff and vehicle resource, where practicable;
  - e. Ensure customers were kept informed of the developing situation and its effect on the service provided by Royal Mail.

## Condition 4 Services standards of service and compensation

### *Performance in 2010/11*

97. This condition sets out the service standards that must be met and the requirement to measure service quality using an independent and statistically valid approach as well as the requirement for compensation arrangements to be in place.
98. The most recent quality of service report is available on the RMG website at [www.royalmailgroup.com](http://www.royalmailgroup.com). Royal Mail's quality of service results for 2010/2011 (before the requested adjustments for force majeure) are detailed at annex 4.
99. As described above, 2010/2011 was a uniquely challenging year for Royal Mail with two exceptional events – the closure of UK airspace for a period in the spring and the worst winter weather in living memory. Both events significantly affected service quality. However, if the impact of these exceptional challenges (including the relevant recovery periods) is taken out of the picture, key service targets would have been hit or exceeded during 2010-11, including for First and Second Class Stamped and Meter mail, as well as business bulk mail services. Despite the impact of the ash cloud, Royal Mail was beating the majority of its targets before the onset of extreme winter weather on 22 November.
100. First Class Retail quality performance was 91.4% in 2010-11. When account is taken of the extraordinary combination of the worst winter weather in living memory and the unprecedented closure of UK airspace because of Icelandic volcanic ash then the adjusted performance for the year was 93.0%. Similarly, the unadjusted position for the Postcode Area delivered performance showed 68 out of the 118 Postcode Areas hitting or exceeding the floor target. The adjusted position showed 114 hitting or exceeding this target.
101. Under the terms of its Licence from Postcomm in accordance with standard practice, Royal Mail is asking the regulator to apply adjustments to the 2010-11 quality of service figures to recognise the severity of the weather conditions and the disruption caused by the volcanic ash cloud via an established procedure. Royal Mail's Group Compliance team worked with the Operations team to develop a robust force majeure application to Postcomm to seek dispensation for the impact of these events on our underlying performance last year. The company believes the exceptional conditions fully warrant adjustments as Royal Mail did everything possible to cope with events beyond its control.

### *Quality Management*

102. Royal Mail recognises that quality performance is achieved by managing the operation in a way that is consistent over time and across our network of operations. Central to our way of working last year (as always) was an unremitting focus on engaging our employees and conformance to operational standards in the pursuit of continuous improvement in the workplace.

103. The key priorities for “Business As Usual” quality management in 2010/2011 were:

- a. Royal Mail’s modernisation programme with an increased focus on the robust application of lessons learnt and managing customer experiences during change;
- b. Rigorous application of fit for purpose operational standards and a relentless focus on continuous improvement;
- c. A Mail Centre check and go process introduced towards the back end of the year to ensure that future schemes are deployed consistently to core principles;
- d. Delivery revision assurance process was embedded for all delivery activity to ensure that revisions are fit for purpose, designed to meet service specification and on deployment are managed to return service quickly to pre-change baseline;
- e. Continued deployment of World Class Mail across Royal Mail’s operations including deliveries;
- f. Continued deployment of delivery walk sequencing and new automation equipment giving increased sorting accuracy and reliability;
- g. Deployment of personal digital assistants (PDAs) commenced in our collections operations (further improving the accuracy of collection USO data) and continued in deliveries.

### *Disclosure and reporting*

104. Under condition 4.6 of its Licence, Royal Mail must:

- a. Measure and publish its performance (quarterly) for the percentage of deliveries made by the latest delivery time and the percentage of collections at or after the final collection time;
- b. Publish its latest delivery and specified collection times and notify any changes to these;
- c. Notify any re-classifications of addresses (that will result in the delivery time becoming later) or access points (that will result in an access points specified collection time starting earlier).

105. As already stated in paragraphs 65 and 66 Royal Mail’s performance during 2010 / 2011 in relation to the two USO measures was 99.86% for deliveries and 99.92% for collections (after adjustment for force majeure).

106. Royal Mail’s latest delivery and specified collections times are available via the RMG website at [www.royalmailgroup.com](http://www.royalmailgroup.com). Between April 2010 and March 2011 there were no changes to the collections specification. Royal Mail’s delivery specification was changed to reflect the impact of its modernisation programme within Royal Mail in the autumn. From October 2010 they became:

- For addresses in Urban areas Royal Mail endeavours to make a delivery every working day by 1500;
- For addresses in Rural areas Royal Mail endeavours to make a delivery every working day by 1600 (subject to exceptions for remote areas with limited transport infrastructure such as the Highlands and Islands).

107. There were 7 access point reclassifications notified to Postcomm during 2010/2011. There were no reclassifications of delivery points.

### *Force Majeure applications*

108. Unadjusted full year quality of service for 1C Retail in 2010/2011 was 91.4. However performance in 2010/2011 was affected by 3 force majeure events. As a consequence RMG has submitted to Postcomm 3 applications, requesting dispensation from the effects of exceptional events in 2010/2011. The submissions cover the impact of volcanic ash in April 2010, severe weather in November and December 2010 and a period of recovery from the severe weather and Christmas mail backlog in early January 2011.

- a. Volcanic Ash - This incident closed UK airspace between 15<sup>th</sup> and 20<sup>th</sup> April 2010 inclusive and caused further disruption in Belfast on 5<sup>th</sup> May 2010;
- b. Severe Weather - This incident saw a period of very severe early winter weather hit the UK from w/c 22<sup>nd</sup> November;
- c. Recovery Period - The severity of the weather before and during the Christmas period, in conjunction with high seasonal mail volumes, caused a significant backlog of mail which Royal Mail aimed to clear in the order it was posted. This in turn impacted on the service offered in the first two weeks of January.

109. The combined effect of removing the volcanic ash, severe weather and recovery periods on 1C Retail quality of service would be +1.6% giving a revised cumulative of 93.0%.

### *Quality of Service Measurement Investigation*

110. On 01 September 2010 Postcomm announced that its investigation into Royal Mail's monitoring of quality of service performance had been concluded and that the company had failed to comply with Licence Conditions 4.8 (a) (ii) and (iii) relating to the independence of the measurement system. However, the investigation found that the actual quality of service figures had not been affected in any material way, that Royal Mail had not benefited financially from the conduct investigated and that there was no adverse impact on Royal Mail's customers.

111. In its response submitted prior to this event (25 March 2010) Royal Mail listed 14 measures being taken to further improve policies and processes. As part of these Actions Royal Mail has:

- a. Put in place arrangements to ensure that the responsibilities of the organisation awarded the contract for end to end quality of service measurement are aligned with Royal Mail's reporting and performance obligations to Postcomm;
- b. Taken steps to reduce the risk of test and radio frequency identification (RFID) tagged mail being identified;
- c. Enhanced its operational procedures;
- d. Rolled out a training and awareness programme covering: quality of service measurement processes; the confidentiality of panellists' identity; and reporting mechanisms e.g. confidential "Speak Up" line;
- e. Supplemented these steps with a testing regime to ensure that key messages are being understood. Put in place interventions where there were gaps.

112. These steps are being supported by monitoring and auditing of the new procedures and independent assurance of Royal Mail's action. Royal Mail commissioned Slaughter & May to conduct an independent review of the execution of the 14 measures outlined to Postcomm on 25 March 2010. Slaughter & May subsequently issued an unqualified report concluding that Royal Mail has properly implemented all the measures. This report was submitted to Postcomm in February 2011 and accepted.

## Condition 5 Complaint handling

### *Performance in 2010/11*

113. Condition 5: sets out the complaint handling standards Royal Mail must meet and the relevant reporting requirements for Royal Mail.

114. Royal Mail received around one complaint for every 15,000 items of mail delivered by the company last financial year, with the overwhelming majority of all mail arriving safely at the correct address. The figures reflect the impact of the extreme weather conditions last winter, the worst in living memory, when there was a prolonged period of transport difficulties. This resulted in more complaints so that the total number last financial year was just under 3% more than in 2009/2010. Annex 5 details the total number of complaints received and the recompense paid by Royal Mail in 2010/2011.

115. However, the total number of complaints last year was still 7% down compared to two years ago. Compared to five years ago, total complaints are down by almost 25%. Of the 1.2 million complaints received during last year, 60% of complaints were from consumers with the remaining 40% from business customers. The historical position for total complaints received and recompense paid by Royal Mail is included at annex 6.

116. During 2010/2011 a number of improvements were made in the way complaints are handled by Royal Mail. These included:

- a. For the telephone channel, reducing journey times for customers by removing messages where they did not add value, reducing the layers within option menus and removing options where only small volumes of customers were using selections;
- b. Automated channels were reduced where not effective or resulting in poor customer experience;
- c. Wording and language was reviewed and simplified in places where feedback identified that the wording was not clear to customers;
- d. Trigger point training commenced last year to enable our Customer Advisors to resolve more complaints at the first point of contact, driving down the number of escalated complaints;
- e. Compliance training for all front line staff and their managers. This included a comprehensive guide as to how to handle escalated complaints and advise customers appropriately;
- f. Proactive communications made to all staff with frequently asked questions before significant events and changes to ensure consistent and correct messages are given to all customers.

117. Royal Mail Operations also focused on a number of key initiatives to help better understand the causes of customer complaints and take action to address these, including:
- a. Greater take up of a self help resolution tool to help our delivery units understand complaint trend data and identify problems with delivery points, delivery walks and delivery officers;
  - b. A focus on specific hotspots where there was a greater proportion of complaints with focussed activity to identify the cause and fix any service issues identified;
  - c. Building greater visibility and understanding of complaint data at delivery office level;
  - d. Higher level of performance management in the operation driven via coaching and support from the central Quality and Service Integrity team to the regional operations teams.

#### *Complaint Handling Process*

118. Complaint Handling Standards for all Postal Operators came into effect on the 1 October 2008 when the Consumers, Estate Agents and Redress Act placed on Postcomm a statutory duty to put in place regulations on complaint handling standards.
119. Details of Royal Mails complaints handling process are included at Annex 7 and can be accessed via [www.royalmail.com](http://www.royalmail.com).
120. Adherence to this process is very important for Royal Mail. Having a robust complaint handling process in place is an essential part of best-practice customer service which supports our drive to be world class in customer experience. Royal Mail firmly believes that complaints handled well at the frontline result in a more effective resolution for those who raise them. Annex 8 shows the numbers of escalated complaints for Royal Mail has seen a significant and consistent reduction over the past 7 years.
121. A statutory postal consumer watchdog has existed in the UK since 2001 (before then there was a Post Office Users National Council). In 2008, the post and energy watchdogs (Postwatch and Energywatch) were merged into a general watchdog with wider powers – Consumer Focus. Consumer Focus has duties to represent and inform consumers, and to research their views. It is required by law to represent postal users’ views to the government, universal service provider and regulator. It is funded by postal and energy industry levy and government direct funding.
122. Consumer Focus has specific postal responsibilities, and is in frequent contact with Royal Mail. Royal Mail has continued to meet Consumer Focus regularly to discuss matters of common interest, including general information about service standards, complaint handling and developments in the company, as well as specific incidents. In particular, Royal Mail explained to Consumer Focus the reasons for the service performance seen during quarter 3 2010/11, which were affected significantly by volcanic ash and the extreme weather.

## Condition 6: Free services for the blind and partially sighted

123. This condition requires Royal Mail to provide a postal service free of charge in accordance with a direction to Postcomm from the secretary of state under section 42 of the Postal Services Act.
124. To comply with this requirement Royal Mail offer a specific service called “articles for the blind” full details are available in the product A-Z on [www.royalmail.com](http://www.royalmail.com). A short summary of the service is set out below: The service is available to:
- a. Blind/visually impaired customers<sup>3</sup> sending specially prepared items to other blind/visually impaired individuals;
  - b. Blind/visually impaired customers returning items to organisations or manufacturers;
  - c. Organisations (Registered Charities) sending items specifically prepared for use by blind or visually impaired people.
125. Mail contents must include items specifically prepared for or by a blind/ visually impaired person, such as:
- a. Books, papers and letters – either embossed or in large print (minimum font size 16pt);
  - b. Computer disks and CDs which have been prepared for blind/visually impaired people;
  - c. Relief maps;
  - d. Spoken audio, video (with added commentary) and electronic media.
126. Equipment specifically for use by a blind person that requires sealing may also be sent<sup>4</sup>, if prior notification is given:
- a. Talking books and talking newspapers which are recordings of readings from printed books, journals, newspapers, periodicals or similar publications, but no entertainment programmes which are available on radio or recordings;
  - b. Equipment used to play or record audio, video and electronic media i.e. talking books and talking newspapers;
  - c. Electronic and optical magnifiers;
  - d. Games, mathematical devices, watches, clocks, timers and measuring equipment;
  - e. Embossed or blank plates and devices for producing tactile information;
  - f. Stationery for tactile information or for mail;
  - g. Mobility aids including sticks and guide dog equipment;
  - h. Computer disks and CDs which have been prepared for blind/visually impaired people.
127. It should be noted that all mail posted using ARTICLES FOR THE BLIND is subject to inspection, so it must be left open, or be easy to open and re-seal or the contents must be visible through the wrapper. There should be sufficient visibility so that the contents can easily be confirmed as complying with the specification. The only exceptions are the heavy or fragile items mentioned above, which can be sealed providing prior notification is given via the Articles for the Blind Helpline (0845 607 6140).
128. The maximum weight limit of any package is 7kg. The size limits for rectangular packages are 610mm x 460mm x 460mm and for cylindrical packages the length must not exceed 900mm and the length added to twice the diameter of the packet must not be more than 1040mm in total.

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<sup>3</sup> Note: must be registered as blind under the provisions of the National Assistance Act 1948; and persons whose standard of close-up vision, with spectacles, certified by an ophthalmologist, doctor or ophthalmic optician, is N12 or less.

<sup>4</sup> Please refer to the A-Z of services for details of items that cannot be sent using the service.

129. Articles for the Blind is available using First Class post only but can be used internationally using Surface or Airmail.
130. During 2010/2011 Royal Mail carried approximately 7m items under this service.

## Condition 7 Provision of information to postal users

131. This condition requires certain information (not provided via other parts of the Licence) to be provided and published. The requirement of this condition changed from April 2011 but this report relates to activity during 2010/2011 (i.e. under the previous version of the Licence). Condition 7 notifications are published on [www.royalmailgroup.com](http://www.royalmailgroup.com).
132. This condition requires RMG to provide Postcomm and Consumer Focus at least 3 months' notice when changing anything to do with the conveyance of letters or packets (unless the notification requirement is covered by other conditions within the Licence). This includes all non-standard arrangements. This is achieved via email to Postcomm and through publishing details of each C7 notification on [www.royalmailgroup.com](http://www.royalmailgroup.com). Typically a condition 7 notification is the end stage of a review under the promotion approval procedure (see the section under condition 11 below). The table below sets out some typical examples of the types of Condition 7 notifications made.
133. Details of the submissions made in 2010/2011 are included at annex 9. An example Condition 7 notification is included at annex 10.

## Types of Notification

Type of Change	Notification Publication	and	Method of notification
New product development	Yes		Letter
Change to product	Yes		Letter
Bespoke Solutions	Yes		Spreadsheet
Tailor Made Incentives	Yes		Email
Tender (using bespoke products)	Yes		Contracts 7 days after signing, and then summary document 1 month into contract signing.
Tender using standard products	No		None - Notification is for changes, standard products means that there is no change.
Bespoke solutions not involving conveyance of mail (management information, Mail screening)	No		None - No conveyance of mail.

Condition 7.3 enables Royal Mail to apply to Postcomm for a direction to exempt certain products and services from the Condition 7 notification requirement<sup>5</sup>.

134. Condition 7 statements made relating to contracts won by Royal Mail following a competitive tender process can be accessed at [www.royalmailgroup.com](http://www.royalmailgroup.com).

<sup>5</sup> Licence condition 7 sets out in footnote that the following directions have been made:

29 November 2006 – Courier Collect trial

30 January 2007 – Sameday Services

26 March 2007 – Postal voting services

16 August 2007 – for trials

19 December 2007 – Branch Direct and International Contract (bulk mail) services

10 April 2008 – Sameday Services

20 June 2008 – Parts Express Service

26 November 2008 – Redelivery Local Collect Service

30 March 2011 – 30<sup>th</sup> March 2011 – Licensed and non-licensed services offered, or intended to be offered, in markets where Postcomm has found RMG Limited does not have market power.

## Condition 8 Protecting the Integrity of Mail

135. This condition is common to all operator Licences and requires the obligations set out in the Mail Integrity Code to be met each year. Royal Mail Group recognises that this condition is key to the mailing industry and customers alike.
136. The Licence Code of Practice puts an obligation on Royal Mail to:
- a. Minimise the risk of loss , theft, damage and interference;
  - b. Have policies in named areas to effect this;
  - c. Demonstrate compliance to these policies;
  - d. Regularly review policies for effectiveness in minimising risk;
  - e. Provide an Annual report to Postcomm each June.
137. There are no stipulated licence targets and so the key measure is the risk minimisation as demonstrated in the annual report. Since January 2006, Royal Mail has reported significant improvements in the annual estimates of loss, theft, damage and interference.
138. At the heart of mail integrity compliance within Royal Mail are:
- a. Named individuals who are responsible, in accordance with the Code, for each of the various areas of policy (Recruitment, Training, Disciplinary Procedures, and Security Of Mail in relation to Premises, Vehicles and Equipment);
  - b. The incorporation of mail integrity in our scorecards at every level;
  - c. The investment in key enablers such as photographic ID cards for all operational employees and new delivery equipment and methods;
  - d. The regular communication of mail integrity processes and procedures to all staff;
  - e. The engagement of all our people to achieve mail integrity.
139. Whilst some level of risk will always remain around mail integrity, we are confident that the focus outlined above will drive further improvements, which in turn will drive associated improvement in the Condition 8 Annual Estimates of Loss, Theft, Damage and Interference.

140. In 2010/2011 further improvements were made in a number of areas:

- a. Continued focus on delivering the Mail Integrity actions in the 2010-11 Statement of Measures;
- b. Ongoing improvement and effective deployment of the policies, actions and measures to meet the Code of Practice;
- c. Continuation of embedding mail integrity in operational performance measurement;
- d. Continuing to vet all employees, including criminal records checking;
- e. Continuation of training of all new entrants;
- f. Annual refresher training in all operational units, incorporating an externally recognised (and award winning) training video designed to further engage our people in delivering the code objectives;
- g. Continued independent audits and self assessment at operational unit level identifying and driving fix activity as required;
- h. Royal Mail's management process reviewed and realigned to fully accommodate and reflect new operational and support structures;
- i. Continued certification of compliance to our policies by the Code Policy Leads, who report to the sponsoring Directors;
- j. Continued mail integrity assurance and concurrence processes within all areas of operational change control and new product development;
- k. Ongoing monitoring of site entry control and delivery standards through compliance testing;
- l. Ongoing work of the Criminal Investigation Team in prioritised activity;
- m. Continued focus on delivering a targeted internal communications plan to raise levels of security awareness and encourage ownership of security by all our staff.

141. Royal Mail has in place effective approval and concurrence processes for all process change and product or service design or development. The management process is supported by a detailed performance data capture and analysis process, with considerable trend data both in terms of conformance measures and output measures.

## Condition 9 Access to the Licensee's postal facilities

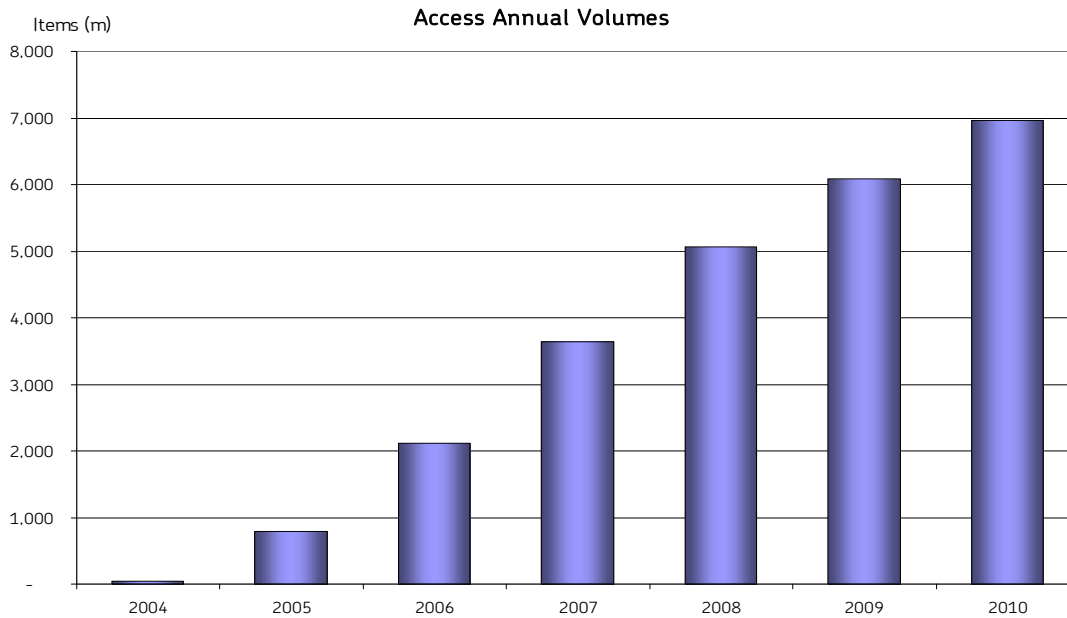
142. Condition 9 requires RMG to negotiate in good faith, with any postal operator or user who applies for access to RMG's postal facilities, with a view to agreeing terms for such access.

143. The Condition sets out the following requirements:

- a. Negotiate with any operator or user who applies for access to Royal Mail postal facilities in good faith;
- b. Provide within a 3 month period from the date of full receipt of the information, a statement of the main terms on which access services would be provided;
- c. Prices based on a reasonable allocation of costs;
- d. Royal Mail Wholesale (RM Wholesale) shall not unduly discriminate between persons having access to its postal facilities, nor shall it show any undue preference towards any person/persons;
- e. As soon as reasonably practicable after entering into an agreement. Royal Mail is to notify Postcomm and publish the terms agreed in a manner to ensure reasonable publicity;
- f. Royal Mail shall not commence conveyance for a period of 1 month from publication of the main terms.

144. In order to achieve compliance with Condition 9 the following process is followed:
- a. The costing of any new access solution is based on the standard RMG costing system and a costing concurrence is required to ensure there is a reasonable allocation of costs to the proposed new service;
  - b. Any person engaged by RM Wholesale in the development of the main terms is required to sign a non-disclosure agreement (NDA) (see paragraphs 167 - 170 below for further information on the use of NDA's);
  - c. As the condition sets a strict 3 month period from the date of the full receipt of information, the process usually starts by ensuring that all relevant information is submitted by the applicant to enable RM Wholesale to assess their request. For this purpose RM Wholesale has developed a standard application form with the relevant information required to be provided by anyone seeking access. The 3 month time-period will start when RM Wholesale has received all the required information;
  - d. Following receipt of a complete set of information a detailed new service development process is initiated taking account of the operational, financial and technological aspects of the proposal;
  - e. At this point RM Wholesale will engage with all relevant subject matter experts within RMG enabling them to design and cost the proposed service. In all cases all parties involved will have signed an internal or external non disclosure agreement;
  - f. Concurrence to the proposed service is required from key internal stakeholders each of whom must have signed an appropriate NDA if they are not in a group function where signature of an NDA is not required, such as Legal services;
  - g. At the end of the process a "main terms and conditions" document adhering to condition 9 part 1, paragraph 2(b) is sent to the applicant.
145. In order to achieve compliance with these requirements RMG has set up a separate business unit (RM Wholesale) which is responsible for negotiating and managing any such access contracts. Any discussions between a potential access customer and RM Wholesale are conducted confidentially and in accordance with Licence condition 10 (see below).
146. Additionally, all potential new customers are asked to sign a RM Wholesale Condition 9 letter informing them of RMG's requirements relating to condition 10 (see further information below) and requiring them to maintain confidentiality of information discussed with RM Wholesale and not share it with Royal Mail Letters or any other persons.
147. Condition 9 part 1 p5b requires RMG to publish a report on or before each 31 March during the term of this Licence setting out for each period of 12 months ending on the preceding 1 January particulars of the access given to its postal facilities. This report is available at [www.royalmailwholesale.com](http://www.royalmailwholesale.com) and also in annex 11.

Figure 2: Annual Access Volumes 2004 – 2010

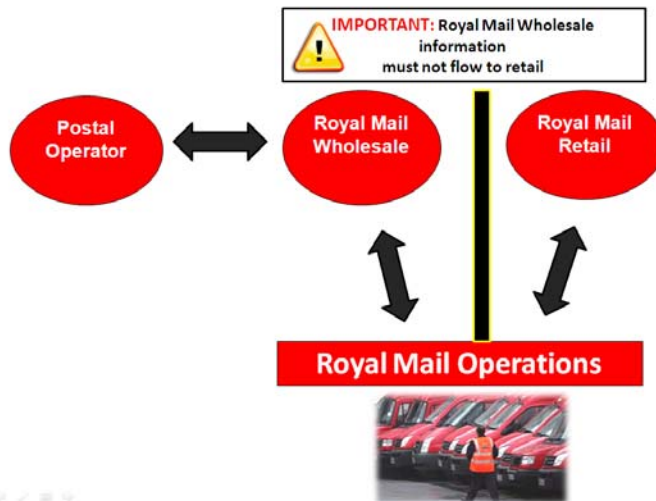


(source: [www.royalmailwholesale.com](http://www.royalmailwholesale.com))

148. RM Wholesale has its own Head of Compliance who works very closely with the Group Compliance team and acts as the compliance co-ordinator for RM Wholesale.
149. The RM Wholesale Head of Compliance deals with all day to day wholesale issues, attends the compliance committee (chaired by the Group Compliance Director), regularly reports to Group Compliance and inputs into Group Compliance responses to RFIs and investigations. The head of compliance also administers the staff transfer policy, NDA guidelines and leavers process within RM Wholesale (see C10 section for further details).

## Condition 10 Prohibition of Obtaining Unfair Commercial Advantage

150. Condition 10 requires Royal Mail to act in a manner best calculated to ensure that RMG does not obtain unfair commercial advantage on the back of providing access services, and specifically to ensure that any information it holds as a result of providing access (e.g. details of individual access customer postings) is not used for its own commercial advantage. The ring-fencing requirement is represented in the figure below.



151. This has both organisational and information ring fencing consequences, both of which were adjusted during the 2010/2011 financial year as a consequence of the restructure of central functions within RMG.

### *Structure and governance*

152. In order to meet the requirements of Condition 10 all Access requests and contracts are managed via the separate business unit within RMG (RM Wholesale). RM Wholesale is physically located separately from other Royal Mail commercial functions and has its own executive team. The managing director of RM Wholesale reports direct to the RMG CEO.

153. Prior to the reorganisation, certain RM Wholesale proposals (such as new C9 requests) were considered at Group level by the CEO and the GET (Group Executive team). The GET now meets on a quarterly basis and is not the most appropriate vehicle for timely RM Wholesale decisions. RM Wholesale proposals are now reviewed by the Commercial and Regulatory Policy Committee (CRPC) – a new sub-committee of the GET – and any necessary concurrence points in the business such as Finance, IT and Operations prior to final sign off by the MD of RM Wholesale and CEO.

*Information ringfencing*

154. The recent restructure included several staff movements to which the staff transfer policy (described below) was applied.
155. In addition to specific people movements some functions currently carried out within RM Wholesale are moving to central support functions. We continue to operate safeguards such as system access controls and the use of NDAs as appropriate.
156. In the previous organisation RM Wholesale had its own Finance Director reporting direct to the MD Wholesale. In the new organisation the Director Wholesale Finance reports to the Chief Financial Officer (CFO) but with a dotted line to the MD Wholesale. Director Wholesale Finance retains dedicated staff to work on RM Wholesale matters and information relating to RM Wholesale will continue to be ring fenced to these members of staff (except for reporting of financial performance to CFO and Group Board members – which will continue to be at an aggregate level). Where shared resource is used, the individuals concerned are given training and guidance and required to sign NDAs.
157. The compliance team has provided advice and support to RM Wholesale to clarify the appropriate level of interaction between the Finance team and RM Wholesale in areas such as reporting, investments, finance systems, new service development and appropriate safeguards.
158. It is important to ensure that there are no increased risks arising from the restructure and that wholesale information continues to be ring fenced from other commercial units in RMG.

159. The following safeguards are in place:

- a. Only the teams of the Director Wholesale Finance and the new Group Head of Reporting (and ultimately the Group CFO and Deputy CFO) will have access to detailed wholesale information;
- b. Any upwards reporting is at aggregate level and does not contain specific RM Wholesale customer details;
- c. Any variation to this principle will require approval by the Head of Wholesale Compliance and may be approved subject to specific safeguards being put in place such as a C10 reminder, NDA or appropriate training;
- d. Other finance teams such as Financial Control, Specialist Finance, Treasury and Taxation carry out traditional "group" functions and may on occasion require access to wholesale information. This would be on aggregate level although it is recognised that there may be occasions that require information that goes beyond what is in the public domain. Where this is required advice should be sought from Wholesale Head of Compliance as to whether any specific additional safeguards are required;
- e. The finance teams, in line with Group policy, are required to undertake appropriate training (including C10) and to go through any ongoing training/assurance testing as agreed and rolled out to assess levels of knowledge throughout the finance function;
- f. The central reporting team received Condition 10 training in April this year and have signed NDAs.

160. Wholesale investment cases requiring review are sensitised by a small group of individuals within the Group Investment team.

161. If analysts within Investment require further information relating to wholesale in order to fully evaluate an investment proposal this is sought from Director Wholesale Finance. The analysts will be providing technical expertise to the RM Wholesale New Service Development team for the purpose of financial appraisal in this scenario.

162. In line with Group Delegated Authorities, Investments are reviewed and approved/rejected by the CFO, CEO and MD Wholesale (following input from the CRPC and Operations IT), the Group Investment Committee (GIC), or RM Holdings Board.

163. To facilitate ring fencing of information controls all RM Wholesale papers are marked as containing sensitive Wholesale information and not for circulation.

164. Any group investment case that requires IT expenditure is to be considered by the GIC on a case by case basis having due regard to factors including Health and Safety, Legal and regulatory compliance requirements, operational pipeline integrity and return on Investment.

165. In the previous structure RM Wholesale had its own IT director – although his team relied on central IT services progressing work via IT suppliers. In the new structure all IT staff are centralised into Business Development and Technology. RM Wholesale has a business partner (the previous RM Wholesale IT director) who manages any RM Wholesale related IT requirements through the IT processes and progresses work via IT suppliers.

166. Where any staff beyond the existing RM Wholesale IT team are required to work on RM Wholesale related matters, e.g. as a consequence of a new Condition 9 access request, or other developments as they may arise, they are asked to sign an NDA and are briefed and trained accordingly. If additional resource is required to assist in project delivery appropriate training and NDAs are used to ensure ring fencing arrangements remain in place.
167. Royal Mail Operations continues to provide services to both the wholesale and retail arms of the business. RM Wholesale has a separate Operations and Customer Services Director who is responsible for working with Royal Mail Operations to provide the day to day access service and resolve any operational issues. In the event of new access requests under Condition 9, RM Wholesale engages with only a limited number of individuals who sign NDAs relating to the work on which they are asked to advise RM Wholesale (e.g. as part of feasibility studies). This process did not change as part of the restructure.
168. NDAs are used in addition to more substantive safeguards such as information ring fencing, a separate RM Wholesale management team, staff transfer control etc. The principal purpose is to act as a reminder of responsibilities with regards to wholesale information. As an example, these are required for all those working for RM Wholesale.
169. The staff transfer policy applies to all internal RMG transfers of employees (including casual, temporary and employees on secondment to/from the RM Wholesale unit).
170. If employees are leaving the group altogether there is a separate leavers process in place designed to minimise risk of inappropriate sharing of sensitive information (including data and information cleansing of lap tops).
171. As RM Wholesale is a relatively small unit, from time to time, it requires expert input or transactional support from other functions or external contractors and in such circumstances non-disclosure arrangements are used. For example, on product or service developments support may be needed from internal engineers and operators or external IT suppliers. NDAs are also used by RM Wholesale for people who leave their organisation.
172. Such arrangements are not required for members of certain group functions (such as Legal Services, Group Compliance, Group Regulation, and Central Finance functions), Board members and operational staff (in Mail Centres and Delivery Offices who handle actual wholesale mail on behalf of Royal Mail Wholesale). The principle here is that information beyond what is required to fulfil their duties should not be shared. In some circumstances non-disclosure arrangements may be used as an additional reminder if there is a requirement for access to specific information beyond that which they would usually need to carry out their functions.
173. Group Compliance approves all staff transfers into or out of RM Wholesale. In 2010/2011 there were 27 such staff transfers (plus one relevant group centre transfer).

174. RM Wholesale have developed and deployed a compliance induction policy that requires all new entrants to the unit to undertake a compliance induction with the Wholesale Head of Compliance within the first month of joining the unit. (usually in the first or second week), and to complete an e learning package within the first three months to further aid their understanding of the wholesale ring-fencing arrangements. This has been designed to give new employees clear direction on the arrangements in place and to ensure that people are aware from the beginning of their responsibilities.

## Condition 11 – Promotion of effective competition

175. Condition 11 requires Royal Mail not to show undue preference nor exercise any undue discrimination in the terms on which it supplies postal services to customers. It also requires Royal Mail not to set terms or charges for the supply of postal services that are excessive or predatory.

176. Essentially this condition replicates requirements set out within Chapter II of the competition act. to prevent abuse of a dominant position. This condition therefore does not apply where the postal services are supplied in a sector of the market where there is effective competition. It also does not apply to products offered under the Parcelforce brand (as of 1 April 2006) which are substantially similar to those services.

177. The key processes in place to ensure compliance with Condition 11 are the Promotion Approval Procedure (PAP) and the annual tariff process. In the tariff process (under condition 21) prices are assessed against the headroom requirement (of condition 21.5) and against cost of provision to consider issues such as cost coverage and risk of margin squeeze.

178. The promotion approval procedure applies to non standard arrangements relating to postal services covered by condition 11. The procedure arose from an undertaking given by Royal Mail to Postcomm in 2005 and ensures that such commercial proposals are fully reviewed and that regulatory and competition law advice is sought from Legal Services. Should Legal Services identify medium / high risk proposals they are referred to the Group Compliance Director for endorsement or otherwise. In 2010/2011 186 such proposals (plus 93 Tailor Made Incentives) were reviewed under this process of which 7 were referred to the Compliance Director following assessment by Legal Services as carrying Licence compliance risks. Of these 2 were subsequently withdrawn, 4 revised to low risk following further legal assessment and 1 endorsed following risk mitigation.

*Investigations under condition 11*

179. During 2010 / 2011 Royal Mail Group compliance has been dealing with 3 anti competitive behaviour investigations:

Postcomm investigation activity under condition 11 in 2010/2011:

Investigation	Issues	Status
Packet Pricing	Alleged margin squeeze between retail packet services and access services	Live
Term contracts	Alleged undue preference and/or undue discrimination	Closed – No infringement decision
Mailsort Light / Mailsort 3	Alleged predation and margin squeeze between MS3/ MSL and access services	Closed – No infringement decision

180. The Royal Mail responses to all such investigations are managed by the Group Compliance team as required in condition 13. 4 of the Licence. When receiving complaints / allegations relating to anti competitive behaviour via Postcomm, Group Compliance first identifies who within the business are best placed to respond to the issues raised, and set up a virtual team consisting of Group Compliance, Group Regulation, Legal Services and the relevant business experts. If required external legal advisers and economic consultants are commissioned to help advise the business through the process of investigation.

181. An investigation normally falls into two parts (as set out in Postcomm’s enforcement guidance). Generally, Royal Mail is first asked to comment on any allegation raised against it. Postcomm will then decide whether, in its view, there are potential grounds for further investigation to take place. In which case they will publish a scope of the investigation and progress to further information gathering (using information gathering powers under condition 17 of the Licence). Throughout both stages of an investigation the Royal Mail response team is lead by Group Compliance and the Compliance Director updates senior management of progress of the investigation on a regular basis.

182. In addition to formal allegations of anti competitive behaviour Group Compliance has also responded to less formal requests from Postcomm relating to specific issues raised with them. For example:

- a. Postcomm requested some preliminary information relating to one of Royal Mails services, following an enquiry made to them alleging that prices were set too low. The enquiry was informal and based on Royal Mail’s response the enquiry was closed;
- b. Following Postcomm having received a complaint from a mailing house relating to error correction on wholesale mailings Postcomm asked for a response from Royal Mail. This response was provided and no further issues raised.

### *Investigating Allegations of Non-Compliance*

183. On occasions the industry (or customers) raise issues direct with the Compliance Director. The Royal Mail procedure for dealing with such complaints is set out in annex 12 and is also available on the Royal Mail Group Ltd website ([www.royalmailgroup.com](http://www.royalmailgroup.com)).
184. Consistent with this procedure the Group Compliance team deals with allegations of inappropriate behaviour direct from other operators. For example:
- a. Complaint from an Access customer about misrepresentation of their products by Post Office Limited (POL) staff in certain areas. POL communicated to staff via a newsletter, Horizon (POL IT platform) and staff briefing sessions to raise awareness of the product to minimise confusion so that this issue should not arise again in the future.
  - b. Complaint received direct from Access provider relating to the contractual relationship in place as part of a specific Royal Mail trial activity. Following review with RM Wholesale further discussions were initiated between the operator and RM Wholesale to resolve the issue.

## Condition 14 - Common Operational Procedures

185. This condition requires Royal Mail to repatriate any misdirected, miscollected, or misposted items of post to the correct operational delivery network as quickly as possible. RM Wholesale manages this process on RMG's behalf and has developed a range of procedures within the operational network to facilitate this. RMG is required to report to Postcomm annually on the number of items found to have been required to be repatriated.
186. If any Code Letters are found in the Royal Mail pipeline that are not appropriate for our delivery network there are Royal Mail processes in place for managing the following situations:
- a. Where issues are raised by other Licensed Operators in relation to repatriation of mail (taken up with individual mail centres and delivery offices on a local basis to resolve);
  - b. If Royal Mail collections personnel collect in error mail intended for another licensed operator in error from a posting customers premises;
  - c. If Royal Mail personnel collect mail intended for another Licensed Operator but the mail has been placed in Royal Mail containers and has been collected in good faith;
  - d. The day to day handling of mail which is returned to other operators via the Common Operational Procedures process falls within the operational pipeline of RM Wholesale. If however another operator were to raise a concern about Royal Mail's handling of their mail pieces this would be dealt with as a complaint and would be followed up by the Wholesale Complaints team with the appropriate contact within Royal Mail's Operational Pipeline Team.

## Conditions - 17 & 18 Provision of Information to Postcomm and the Council

187. Condition 17 requires Royal Mail to provide such information as Postcomm may require or as may be necessary for the purpose of performing the functions assigned to Postcomm by or under the Act. Condition 18 contains similar requirements with regards to providing information to the Council (Consumer Focus) but in that case with regards to the functions assigned to it under sections 24 to 29 of the CEARA.
188. The Compliance team deals with all such formal information requests issued to Royal Mail by either Postcomm or Consumer Focus. A typical process for dealing with condition 17 information requests is essentially in 4 steps:
- a. Step 1: Postcomm issue a draft Requirement for Information (RFI) to Royal Mail. All such draft RFIs are sent to the RMG Compliance Director. On some occasions there may have been some prior discussions / consultation with RMG before arriving at this stage. The timetable needed to comment on a draft RFI depends on the nature and complexity of the RFI, and whether or not it has previously been discussed in detail with RMG. The following circumstances are relevant:
    - i. If significant discussion / scoping regarding the draft RFI has taken place prior to the draft being issued, 24 – 48 hours may be sufficient to respond to the draft;
    - ii. If no (or only limited) prior discussion has taken place, and it relates to relatively straightforward issues and/or is narrow in scope then 48 hours may be sufficient to scope the RFI and provide comments on the draft;
    - iii. In the event that no prior discussion / scoping has taken place and/or it relates to complex – wide ranging issues, 48 hours is unlikely to be sufficient to fully scope the RFI and more time may be needed to scope the ability to respond to the RFI;
    - iv. Actual timetables for responding to draft RFIs are discussed with Postcomm on a case by case basis.
  - b. Step 2: Review by the Group Compliance team. When reviewing a draft RFI Royal Mail will predominantly consider the following issues:
    - i. Whether the context and purpose of the RFI are fully understood;
    - ii. Whether the information asked for is available, e.g. does the information exist (and whether it is available within the timeframe);
    - iii. The time required to be able to provide comprehensive responses. This will vary depending on the topic in question.
  - c. Step 3: Response to draft RFI is sent to Postcomm by Compliance. Subject to the nature of the comments raised by RM this sometimes results in correspondence between Postcomm and Royal Mail clarifying issues raised, discussing timetable and whether alternative information may be available to meet the aims of the RFI.
  - d. Step 4: Formal RFI is issued by Postcomm in standard format to the Director of Compliance, setting out:
    - i. the context of the RFI (including relevant Licence conditions);
    - ii. manner and form of information provision;
    - iii. the aim of the RFI;
    - iv. the required information;
    - v. the timescales for information to be provided.

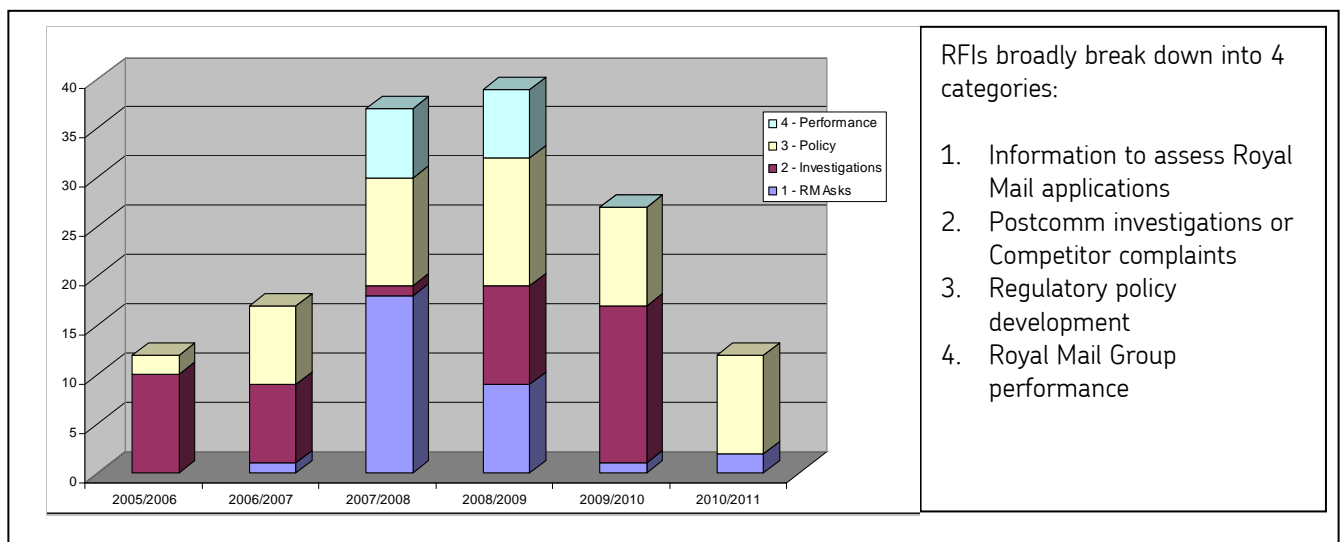
189. The Group Compliance team then leads with internal information providers in responding to the questions raised in the RFI and to ensure that the response is sent to Postcomm from RMG Compliance team in accordance with the timetable set.

190. In the event that Royal Mail discovers any issues on information availability or timetable, during the process of information gathering, Royal Mail will make Postcomm aware as soon as possible so that alternatives can be discussed.

191. During 2010/2011 there were 12 RFIs in total covering a wide variety of issues. Although the number of RFIs has fallen they still required significant information provision. For example, one of the RFIs related to the business planning questionnaire where Postcomm asked for wide ranging information to support their price control work covering over 50 main questions and 220 sub questions in total and impacting all functional areas within the business. The total response exceeded 1000 pages.

192. Typically the RFIs break down into four types:

- a. Relating to Royal Mail performance, financial, quality of service or otherwise;
- b. Information required to support regulatory policy developments (such as provision to support the regulatory framework development);
- c. Information required by Postcomm to complete investigations into Licence compliance;
- d. Information required by Postcomm to fully assess requests from Royal Mail Group, such as applications for exemptions, request for directions, etc.



# Report Annexes

## Annex 1: Details From The Most Recent Delivery Exceptions Report

(the full report can be viewed on [www.royalmailgroup.com](http://www.royalmailgroup.com))

### Royal Mail's Delivery Exceptions Report

#### Number of delivery points in each exception category by alternative arrangement categories

Sum of No of DPs affected	Postcomm category			Grand Total
	Difficulty of Access	Long term Health & Safety	Temporary Health & Safety	
Arrangement category				
Customer Collects from MC	1		1	2
Customer collects from Post Office or Delivery Office	192	35	184	411
Delivered as conditions permit	2			2
Delivery < 6 days a week			88	88
Delivery to a central point			5	5
Delivery to a central point less than six days per week	22		24	46
Delivery to Alternative Address	161	17	6	184
Delivery to Alternative Address < 6 days a week	11			11
Delivery to alternative receptacle	101	24	21	146
Delivery to box at premises		1	2	3
Delivery to box on gate			1	1
Delivery to Road-Side Box	958	147	78	1183
Delivery to Road-Side Box < 6 days a week	2			2
Delivery to the door < 6 days a week	604	1	1	606
Delivery to the door less than six days per week in winter only	47			47
Other	18	5	1	24
Redirection	4			4
Return to sender	55	163	2	220
<b>Grand Total</b>	<b>2178</b>	<b>393</b>	<b>414</b>	<b>2985</b>

## Royal Mail's Delivery Exceptions Report Year on Year Comparison

Delivery points on list	2003	2004	2005	2006	2007	2008	2009	2010
Difficulty of Access	2034	3323	2064	2017	1977	2148	2135	2178
Long Term Health & Safety	602	530	602	577	585	394	386	393
Short Term Health & Safety	61	22	144	167	262	300	282	414
Total	2697	3875	2810	2761	2824	2842	2803	2985

Year on year change	2003	2004	2005	2006	2007	2008	2009	2010
Difficulty of Access		1289	-1259	-47	-40	171	-13	43
Long Term Health & Safety		-72	72	-25	8	-191	-8	7
Short Term Health & Safety		-39	122	23	95	38	-18	132
Total		1178	-1065	-49	63	18	-39	182

New DPs to list for 2010	
Difficulty of Access	42
Long Term Health & Safety	9
Short Term Health & Safety	91
Total	142

## Annex 2: Delivery Appeals Process

*(The process set out below is the annex included in a delivery exception suspension letter that sets out for the affected customer how the appeals process works)*

### PROCESS FOR DETERMINING APPEALS ON UNIVERSAL SERVICE OBLIGATION EXCEPTIONS

If Royal Mail has made, or proposes to make, your address an exception from its obligation to deliver daily to your home or premises, and you do not agree with the decision or do not accept the alternative delivery arrangements offered, you can appeal against that decision. You can also appeal if you and Royal Mail are unable to agree about delivery to an alternative delivery point.

The Appeals process has 3 stages, as set out below.

Stage	Decision to be reviewed	Action required
1	Initial decision of Royal Mail	You have 3 months from receipt of the initial decision to request a review by the Delivery Sector Manager. The Delivery Sector Manager has 1 month to undertake the review & give you a decision based on that review
2	Decision of Royal Mail after Stage 1 review	If you are still unhappy, you can appeal within 1 month of the Stage 1 decision to the Royal Mail Regional Director of Quality & Service Integrity (the senior manager responsible for customer services in their area). The Director of Quality & Service Integrity has 2 months to undertake a review and give you a decision based on that review
3	Obligation of Royal Mail after Stage 2 Review	The final stage of the Appeal process is for either you to refer the case to Postcomm, the Regulator for Postal Services. This must happen within 1 month of the Stage 2 decision. Postcomm will review the entire case & determine the outcome, letting everyone know. There is no set time limit to this stage, although Postcomm will aim to resolve cases as soon as possible.

Please note

If you want to request a review or to move to the next stage of the process you must do this in writing to the nearest Royal Mail Delivery Office, to the Delivery Sector Manager, to the Royal Mail Regional Director of Quality & Service Integrity, or to Postcomm, as appropriate for the stage of the appeal. The stage starts on the date of receipt of that request.

Stages 1 to 2 of the process end when you get the reviewer's written decision. If you don't get a decision within the required timescale of each stage you are entitled to go to the next stage.

The appeals process ends when either Postcomm has told everyone of its decision, or at any earlier stage, if you decide you are satisfied or you do not refer the case to the next stage within the time period set out above.

The outcome of the process will be the decision most recently taken at the time when the process is completed.

## CONTACT DETAILS

**Postcomm**  
Postal Services Commission  
Hercules House  
Hercules Road  
London  
SE1 7DB

PLEASE KEEP THIS NOTICE IN CASE YOU NEED TO REFER TO IT IN THE FUTURE!

### Annex 3: Extract From Collections Exceptions Annual Report

This extract is included here to show the level of detail included in the annual collections exceptions report that is published on [www.royalmailgroup.com](http://www.royalmailgroup.com) (where the full report can be found).

Box No / PO Barcode	PO Branch Name	Address	Postcode of Box / Counter	Reason	Collection Arrangements (eg Collect Mon - Fri)	Days not accessible	Notes / Action Taken to bring Box / PO back to 6 days service
854		ASHLEY ROAD	ALI 5BB	BUSINESS BOX	Monday - Friday	Saturday	
203		ENFIELD RAILWAY STATION	AL3 6XT	BUSINESS BOX	Monday - Friday	Saturday	
202		ACREWOOD	AL4 0JJ	BUSINESS BOX	Monday - Friday	Saturday	
100		SWALLOWFIELDS	AL7 1JD	BUSINESS BOX	Monday - Friday	Saturday	
256113	Ickleton PO	32 Church Street,Ickleton ,Saffron Walden	CB10 1SL	Part Time Post Office	Monday - Friday	Saturday	
206113	Ashdon PO	5-6 Crownhill,Ashdon,Saffron Walden	CB10 2HA	Part Time Post Office	Monday - Friday	Saturday	
214113	Carver Barracks PO	Naffi,Wimbish,Saffron Walden	CB10 2YA	Part Time Post Office	Monday - Friday	Saturday	
208113	Debden PO	Village Shop,Mill Road,Debden,Saffron Walden	CB11 3LL	Part Time Post Office	Monday & Thursday	Tuesday,Wednesday, Friday & Saturday	
103113	Horsheath PO	West Wickham Rd,Horseheath	CB21 6QA	Part Time Post office	Monday - Friday	Saturday	
161113	West Wickham PO	High Street, West Wickham	CB21 6RY	Part Time Post Office	Monday & Thursday	Tuesday, Wednesday, Friday & Saturday	
POC235113	Longstowe PO	143 High Street,Longstowe	CB23 2UN	Part Time Post Office	Monday, Wednesday & Thursday	Tuesday, Friday & Saturday	
CB3 211		Trafalgar Way,Bar Hill	CB3 8UD	Business Box	Monday - Friday	Saturday	
CB3 194		West Road,Cambridge	CB3 9DP	Business Box	Monday - Friday	Saturday	
CB4 184		Trinity Centre, Science Park	CB4 0FN	Business Box	Monday - Friday	Saturday	
CB5 513		Cambridge Research Park, Waterbeach	CB5 9TF	Business Box	Monday - Friday	Saturday	
CB6 37		Lancaster Way,Ely	CB6 3NW	Business Box	Monday - Friday	Saturday	
165113	Fordham PO	Victoria Hall,Carter Street,Fordham,Ely	CB7 5NG	Part Time Post Office	Monday & Thursday	Tuesday, Wednesday, Friday & Saturday	
CB8 34		Willie Snaith Road, Newmarket	CB8 7TG	Business Box	Monday - Friday	Saturday	
199113	Stetchworth PO	Ellesmere Centre,Ley Road,Stetchworth,	CB8 9TS	Part Time Post Office	Monday - Friday	Saturday	
200113	Stradishall	Convenience Stores,Stradishall,New market	CB8 9XX	Part Time Post Office	Monday & Tuesday	Wednesday, Thursday, Friday, Saturday	
221113	Hellions Bumpstead PO	Chesnut Lodge,Pale Green,Hellions Bumpstead,Haverhill	CB9 7AF	Part Time Post Office	Monday & Thursday	Tuesday, Wednesday, Friday & Saturday	

BB8C		Rodney Way Widford Ind Est Chelmsford	CM1 3BY	Business Box	Monday - Friday	Saturday	
BOX 125		Radford Way	CM12 0DX	Business box	Monday - Friday	Saturday	
CM19 1006		Coldharbour Road	CM19 5AD	Business Box	Monday - Friday	Saturday	
CM19 1004		Cawley Hatch	CM19 5AR	Business Box	Monday - Friday	Saturday	
506		Winsford Way Chelmsford	CM2 5AA	Business Box	Monday - Friday	Saturday	
BB1C		Montrose Road Dukes Park Ind Est Chelmsford	CM2 6ZZ	Business Box	Monday - Friday	Saturday	
CM20		Bromleys South Rd Harlow	CM20 2AR	Business Box	Monday - Friday	Saturday	
CM20		River Way Harlow	CM20 2TS	Business Box	Monday - Friday	Saturday	
BB7W		Freebournes Rd	CM8 3UH	Business Box	Monday - Friday	Saturday	
BB2W		Eastway Ind Est	CM8 3YQ	Business Box	Monday - Friday	Saturday	
CM9 515		West Station	CM9 6TR	Business Box	Monday - Friday	Saturday	
Box 224		Osea Island	CM9 8UH	Tidal	Monday - Saturday - as conditions permit	Box is collected depending on the tide and times will vary depending on tidal conditions.	
201		LINCOLN ROAD	EN1 1DX	BUSINESS BOX	Monday - Friday	Saturday	
203		PORTERSWOOD	EN1 1RT	BUSINESS BOX	Monday - Friday	Saturday	
205		BAIRD WAY	EN1 1SJ	BUSINESS BOX	Monday - Friday	Saturday	
200		DUCKLEES LANE	EN11 0AS	BUSINESS BOX	Monday - Friday	Saturday	
206		WOODHALL ROAD	EN3 4LE	BUSINESS BOX	Monday - Friday	Saturday	
204		BILTON WAY	EN3 7EP	BUSINESS BOX	Monday - Friday	Saturday	
200		ESSEX ROAD	EN3 7UH	BUSINESS BOX	Monday - Friday	Saturday	
202		BRAITHWAITE ROAD	EN3 7XA	BUSINESS BOX	Monday - Friday	Saturday	
502		LANCASTER ROAD	EN4 8AL	BUSINESS BOX	Monday - Friday	Saturday	
504		HADLEY PARADE	EN5 5SX	BUSINESS BOX	Monday - Friday	Saturday	
503		PARK ROAD	EN5 5TZ	BUSINESS BOX	Monday - Friday	Saturday	
500		CRANBOURNE ROAD	EN6 3JE	BUSINESS BOX	Monday - Friday	Saturday	
501		MUTTON LANE	EN6 3JR	BUSINESS BOX	Monday - Friday	Saturday	
551		DELAMERE ROAD	EN8 9AP	BUSINESS BOX	Monday - Friday	Saturday	
552		HILL GROVE BUSINESS PARK	EN9 2HB	BUSINESS BOX	Monday - Friday	Saturday	

111		ILFORD TOWN HALL	IG1 1AA	Restricted access	Monday - Friday	Saturday	PRIVATE BOX, TOWN HALL CLOSED ON A SATURDAY
BB1478		ILFORD DO	IG1 1BX	Business Box	Monday - Friday	Saturday	
1002		FINA PETROL GARAGE	IG1 4BS	Restricted access	Monday - Friday	Saturday	CUSTOMER DOES NOT REQUIRE COLLECTION ON A SATURDAY, INDOOR BOX
BB1113		LOUGHTON PDO	IG10 1RB	Business Box	Monday - Friday	Saturday	
BB129		LENTHALL ROAD	IG10 3TQ	Business Box	Monday - Friday	Saturday	
BB50		THAMES ROAD	IG11 0HN	Business Box	Monday - Friday	Saturday	
BB50		MOVERS LANE	IG11 7UJ	Business Box	Monday - Friday	Saturday	
154		KING GEORGES HOSPITAL	IG3 8YB	Restricted access	Monday - Friday	Saturday	CUSTOMER DOES NOT REQUIRE COLLECTION ON A SATURDAY, INDOOR BOX
131		DR BARNADOS	IG6 1HP	Restricted access	Monday - Friday	Saturday	
BB153		FOWLER ROAD	IG6 2DY	Business Box	Monday - Friday	Saturday	
BB158		FOREST ROAD	IG6 3HU	Business Box	Monday - Friday	Saturday	
BB648		HIGH STREET	IG62BU	Business Box	Monday - Friday	Saturday	
BB147		BOURNE COURT	IG8 8HF	Business Box	Monday - Friday	Saturday	
8218		LLOYDS AVENUE, IPSWICH	IP1 3HD	Business Box	Monday - Friday	Saturday	
1337b		FARTHING ROAD, IPSWICH	IP1 5AN	Business Box	Monday - Friday	Saturday	
1430b		GODDARD ROAD, IPSWICH	IP1 5NP	Business Box	Monday - Friday	Saturday	
1409b		WALTON AVENUE, FELIXSTOWE	IP11 3BA	Business Box	Monday - Friday	Saturday	
1458b		FERRY LANE, FELIXSTOWE	IP11 3QL	Business Box	Monday - Friday	Saturday	
277130	DALLINGHOO SPSO	DALLINGHOO SPSO	IP13 0JX	Part Time Post office	Thursday	Monday - Wednesday & Friday - Saturday	
1463b		HADLEIGH ROAD IND EST, IPSWICH	IP2 0EF	Business Box	Monday - Friday	Saturday	
159112	THOMPSON	THOMPSON, Hall Field Road, Thetford	IP24 1PT	Part Time Post office	Monday, Tuesday, Thursday & Friday	Wednesday & Saturday	
117112	LAKENHEATH CAMP SPSO	LAKENHEATH CAMP SPSO	IP27 9PL	Part Time Post office	Monday - Friday	Saturday	
1450b		BLUESTEM ROAD, IPSWICH	IP3 9RR	Business Box	Monday - Friday	Saturday	
2038		ROUGHAM IND EST, BURY ST EDMUNDS	IP30 9ND	Business Box	Monday - Friday	Saturday	
099112	INGHAM	INGHAM	IP31 1NG	Part Time Post office	Monday - Friday	Saturday	
8229		SKYLINER WAY, BURY ST EDMUNDS	IP32 7YY	Business Box	Monday - Friday	Saturday	

LU1 300		Cosgrove Way Luton	LU1 1XL	Business Box	Monday - Friday	Saturday	
LU2 304		Airport Approach Luton	LU2 9LR	Business Box	Monday - Friday	Saturday	
LU3 302		Camford Way Luton	LU3 3AN	Business Box	Monday - Friday	Saturday	
LU4 301		Laporte way Luton	LU4 8AU	Business Box	Monday - Friday	Saturday	
LU4 303		Sedgwick Road Luton	LU4 9DT	Business Box	Monday - Friday	Saturday	
LU5 110		Eastern Ave. Dunstable	LU5 4JY	Business Box	Monday - Friday	Saturday	
LU5 112		Lovett Way Dunstable	LU5 4TU	Business Box	Monday - Friday	Saturday	
LU5 113		Townsend Farm Road Dunstable	LU5 5BA	Business Box	Monday - Friday	Saturday	
106134	Hockliffe SPSO	Watling Street Hockliffe Leighton Buzzard	LU7 9NB	Part Time Post Office	Monday - Friday	Saturday	
380136	Newton st Faiths	54 Newton Street	NR10 3AD	Part Time Post Office	Mon,Tues,Thurs - Sat	Wednesday	
175136	Horsham St Faiths	Back Street	NR10 3JP	Part Time Post Office	Mon,Tues,Thurs - Sat	Wednesday	
201136	Swanton Abbott	Nettlewell House	NR10 5DU	Part Time Post Office	Monday, Tuesday & Thursday	Wednesday, Friday & Saturday	
244135	Wood Dalling	Po Stores	NR11 6AQ	Part Time Post Office	Mon,Tues,Thurs - Sat	Wednesday	
481136	Aylmerton	The Street	NR11 8AA	Part Time Post Office	Thursday	Monday - Wednesday, Friday & Saturday	
112136	Happisburgh	Wayside Stores	NR12 0AB	Part Time Post Office	Monday - Wednesday & Friday	Thursday & Saturday	
221135	Walcott	Coast Road	NR12 0AP	Part Time Post Office	Monday & Wednesday - Friday	Tuesday & Saturday	
124136	Horning	Lower Street	NR12 8AA	Part Time Post Office	Monday, Wednesday - Saturday	Tuesday	
099136	Freethorpe	87 The Green	NR13 3NY	Part Time Post Office	Monday, Tuesday, Thursday, Friday & Saturday	Wednesday	
136136	Blofield Heath	Woodbastwick Road	NR13 4AB	Part Time Post Office	Monday, Tuesday, Thursday, Friday & Saturday	Wednesday	
501136	The Slaithe, Rainworth	Ranworth	NR13 6HY	Seasonal Counter, closed till May 2010	Monday - Saturday in Summer	Monday - Saturday in winter	
098136	Framingham Earl	Norwich Road	NR14 7AB	Part Time Post Office	Monday, Tuesday, Thursday, Friday & Saturday	Wednesday	
164136	Poringland	Shotesham Road	NR14 7AD	Part Time Post Office	Monday, Wednesday - Saturday	Tuesday	
060136	Bergh Apton	Cookes Road	NR15 1AA	Part Time Post Office	Monday, Tuesday, Thursday, Friday & Saturday	Wednesday	
067136	Brooke	4 Norwich Road	NR15 1AB	Part Time Post Office	Monday, Tuesday, Thursday, Friday & Saturday	Wednesday	
397136	Bale	Countryside	NR15 1AB	Part Time Post Office	Monday, Tuesday, Thursday, Friday & Saturday	Wednesday	

184136	Seething	The Street	NR15 1AL	Part Time Post Office	Monday, Tuesday, Thursday, Friday & Saturday	Wednesday	
117136	Hempnall	The Street	NR15 2AD	Part Time Post Office	Monday, Tuesday, Thursday, Friday & Saturday	Wednesday	
069136	Bunwell	The Street	NR16 1AB	Part Time Post Office	Monday, Tuesday, Thursday, Friday & Saturday	Wednesday	
089136	East Harling	Market Street	NR16 2AD	Part Time Post Office	Monday, Tuesday, Thursday, Friday & Saturday	Wednesday	
103136	Great Ellingham	Long Street	NR17 1LL	Part Time Post Office	Monday, Tuesday, Thursday, Friday & Saturday	Wednesday	
898136	Mattishall	19 Dereham Road	NR20 3AA	Part Time Post Office	Monday, Tuesday, Thursday, Friday & Saturday	Wednesday	
282136	Hockering	Hockering Motor services	NR20 3AJ	Part Time Post Office	Monday, Tuesday, Thursday, Friday & Saturday	Wednesday	
285136	North Tuddenham	East View	NR20 3DD	Part Time Post Office	Monday - Wednesday & Friday	Thursday & Saturday	
279136	Gressenhall	The Green	NR20 4DT	Part Time Post Office	Mon-Thurs, Sat	Friday	
287136	Swanton Morley	Swanton Morley Stores	NR20 4PP	Part Time Post Office	Monday, Tuesday, Thursday, Friday & Saturday	Wednesday	
278136	Foulsham	High Street	NR20 5AD	Part Time Post Office	Monday - Tuesday	Wednesday - Saturday	

## Annex 4: Royal Mail Quality of Service Results for 2010-11

The table below shows the 2010 / 2011 results before any adjustment for Force Majeure impact.

Scheduled Service or Standardised Measure	Actual Quarter 1 c/w Full Year Target		Actual Quarter 2 c/w Full Year Target		Actual Quarter 3 c/w Full Year Target		Actual Quarter 4 c/w Full Year Target		2010/11 Full Year c/w Full Year Target	
Retail 1c	92.9	-0.1	94.2	+1.2	89.3	-3.7	89.2	-3.8	91.4	-1.6
Retail 2c	98.8	+0.3	99.1	+0.6	97.3	-1.2	97.9	-0.6	98.2	-0.3
Bulk 1	90.9	-0.1	92.0	+1.0	87.4	-3.6	86.4	-4.6	89.2	-1.8
Bulk 2	98.1	+0.6	97.7	+0.2	95.6	-1.9	94.5	-3.0	96.5	-1.0
Bulk 3	99.4	+1.9	99.5	+2.0	95.6	-1.9	97.7	+0.2	98.0	+0.5
Standard Parcels	95.5	+5.5	96.8	+6.8	93	+3.0	91.6	+1.6	94.3	+4.3
European International Delivery	93.4	+8.4	95.3	+10.3	89.3	+4.3	94.6	+9.6	93.1	+8.1
Special Delivery (Next Day)	97.7	-1.3	98.9	-0.1	96.6	-2.4	98.1	-0.9	97.8	-1.2
Postcode Area % Delivered	-	-	-	-	-	-	-	-	68/118	-50
USO Collection	99.92	+0.02	99.93	+0.03	98.96	-0.94	99.84	-0.06	99.64	-0.26
USO Delivery	99.94	+0.04	99.95	+0.05	98.18	-1.72	99.62	-0.28	99.39	-0.52
Correctly Delivered Mail	99.75	+0.25	99.65	+0.15	99.58	+0.08	99.69	+0.19	99.66	+0.16

**Note:** The adjusted figures (if Royal Mail's force majeure submission is accepted by Postcomm) would be Retail 1C 93%, Retail 2C 98.8%, Bulk 1 91.0%, Bulk 2 97.5%, Bulk 3 99.1%, Standard Parcels 95.7%, PCA % Delivered 110/118, USO Collection 99.92% and USO Delivery 99.86%.

Annex 5: Complaints & Compensation 2010-11

**Licence Condition 4 – Part IV**  
**2010-11.**

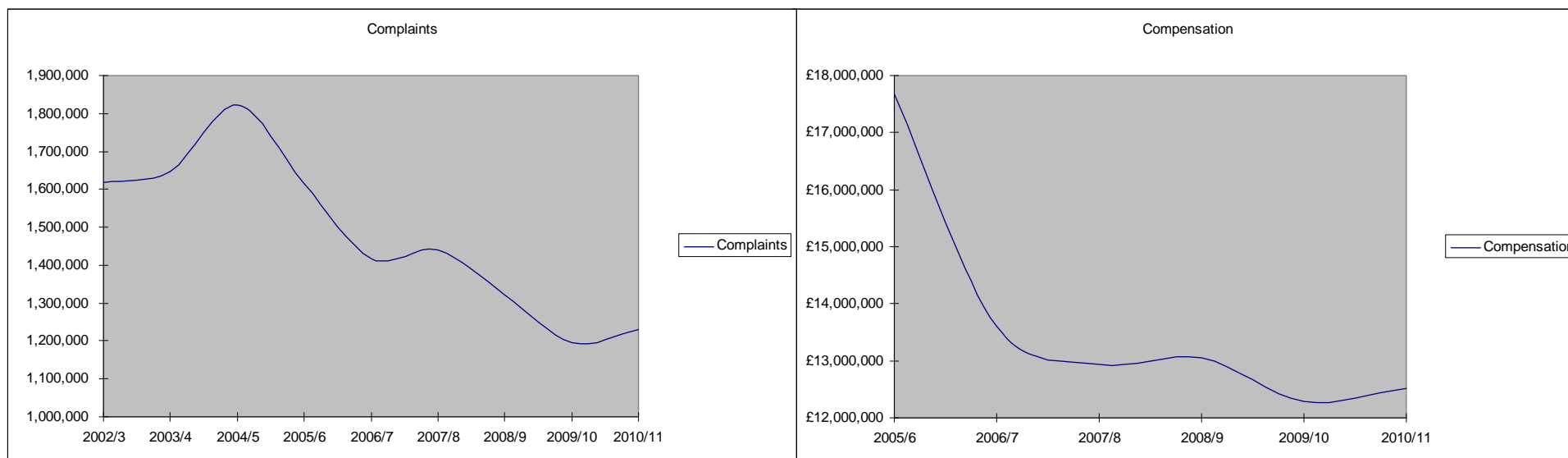
Annex A: National Summary

Category of Complaint	Number of Complaints	Number Paid	Recompense
Loss	601,264	449,897	£10,331,134
Redirection	101,610	15,886	£255,367
Delay	93,994	72,840	£501,615
Delivery Procedure Errors	74,700	12,928	£191,807
Mis-Delivery	61,503	4,485	£29,000
P739 Failure	42,903	1,883	£27,775
Redelivery Failure	38,554	1,554	£6,347
Proof of Delivery Failure	32,307	29,296	£69,606
Unconfirmed Delay/Loss	29,957	2,157	£60,690
Damage	17,233	8,269	£163,967
Other	136,373	32,585	£884,621
	<b>1,230,398</b>	<b>631,780</b>	<b>£12,521,929</b>

Note:

The 'Recompense' figure includes payments made to all customers in accordance with the product terms and conditions, the regulatory compensation scheme for delay, and any goodwill payments made in respect of customer complaints received.

## Annex 6: Total Complaints & Compensation Trend



## Annex 7: Royal Mail Complaint Handling Process

Not happy with our service?

Royal Mail aims to provide you with a reliable and consistent service at all times. If, however, you are unhappy with the service we have given you, this guide will tell you how you can get in touch with us and how we will deal with your complaint or issue.

If you do want to register a complaint with us you can contact Royal Mail Customer Services.

### Our Customer Promise

Once we have the full details of your complaint our promise is that we will normally take no more than 30 calendar days to respond fully to your issue. Please be aware that some international complaints may take longer to resolve due to the work that needs to be done by foreign administrators.

There may be occasions when we require additional information or responses from you to complete our investigation. When that is the case we will allow 14 calendar days for your response. Allowing for complex cases with several such interactions, that means our longest investigations for inland complaints may take up to 90 calendar days to fully complete.

Our Customer Service Advisors will take ownership of your complaint and look to provide you with a resolution.

### How to make a complaint

You can make a complaint by contacting Royal Mail Customer Services through our website or by speaking with one of our advisors or by writing to us.

If you contact us through the Royal Mail website or in writing please provide us with full details of your complaint. If we require further information we will notify you using your preferred method of contact.

If you choose to contact us by phone please have the details of your complaint available. For some complaints you may be required to complete a "Loss Damage or Delay" form which is available online through our website or from Post Offices. Our Customer Services Advisors will let you know the appropriate process to follow. If you are contacting us on behalf of another person, we may ask you to provide proof of that person's consent to your handling their complaint.

Once we have received your complaint, the Customer Services Advisor will record your details and provide you with a unique reference number that identifies you and your complaint.

There are 3 internal stages in our complaints process and our preference is always to deal with your complaint on a person to person basis by phone, but, if you prefer, we will deal with your complaint at any stage through e-mail or letter.

### Stage 1: Contacting our Customer Services Advisors

The Customer Services Advisor will take the details of your complaint. They will make every effort to investigate and resolve your complaint providing you with an appropriate response. If you are not happy with the reply you can escalate your case to the Escalated Customer Resolution Team who will undertake a re-investigation.

## Stage 2: Contacting our Escalated Customer Resolution Team

Our Escalated Customer Resolution Team is trained and experienced in dealing with escalated complaints. They will endeavour to address and resolve your concerns, however, after allowing them another chance to try and deal with your complaint, you remain dissatisfied with their response you can contact the Postal Review Panel.

## Stage 3 - The Postal Review Panel

Royal Mail customers who have complained have access to the Postal Review Panel who will take a fresh and impartial look at your case. After this review the Postal Review Panel will provide a final response from Royal Mail about your complaint. This will take place within 30 days of your first contact with them.

The objective of the Postal Review Panel is to find a mutually satisfactory resolution for your complaint.

However, if you are not satisfied after the Postal Review Panel has provided you with a final response then your case will be considered 'deadlocked', customer complaints in deadlock can be referred to the independent ombudsman.

You can contact the Postal Review Panel at any time quoting your Royal Mail reference number. However Royal Mail will always want to try and resolve any concerns or complaints you have, and it is strongly recommended that you work with the Customer Services teams at Stage 1 and Stage 2 to try and sort out the problem before contacting the Postal Review Panel.

## Stage 4 - If you remain unhappy

If you remain dissatisfied with the response you have received after contacting the Postal Review Panel and you have received a deadlock letter you can then escalate your complaint to the independent Ombudsman style scheme, the Postal Redress Service (POSTRS). The service is available to you if:

- we have not been able to settle your complaint within the 90 day timescales set out by Royal Mail Customer Services.
- you have been referred to the scheme through your 'deadlock' letter
- we have not followed our own complaints procedure in handling your complaint
- 

Depending on the nature of the specific complaint, the Postal Redress Service (POSTRS), may be available.

## Further information

If you require independent advice about your rights as a consumer or how to progress a complaint, you can contact Consumer Direct. Consumer Direct is a service operated by the Office of Fair Trading. They offer practical advice via the telephone and on-line. Please be aware that Consumer Direct cannot make a complaint on your behalf or provide advice on specific Royal Mail products and services.

## Contact Details

### Royal Mail Customer Services

**Web:** [www.royalmail.com/customerservices](http://www.royalmail.com/customerservices)

**Telephone:** 8am – 6.00pm, Monday to Friday  
8am – 1.00pm on Saturdays

From within UK: 08457 740 740

International callers: +44 1752387112

**Textphone:** 08456000606

### Writing:

General Enquires: FREEPOST, 20 Turner Road, St Rollox Business & Retail Park, GLASGOW G21 1AA

Making a claim: Royal Mail Customer Services, FREEPOST, Plymouth PL9 7YB

Postal Review Panel

**Web:** [www.royalmailgroup.com/postalreviewpanel](http://www.royalmailgroup.com/postalreviewpanel)

**Email:** [postalreview@royalmail.com](mailto:postalreview@royalmail.com)

**Write:** FREEPOST Postal Review Panel

The Independent Ombudsman-style Service

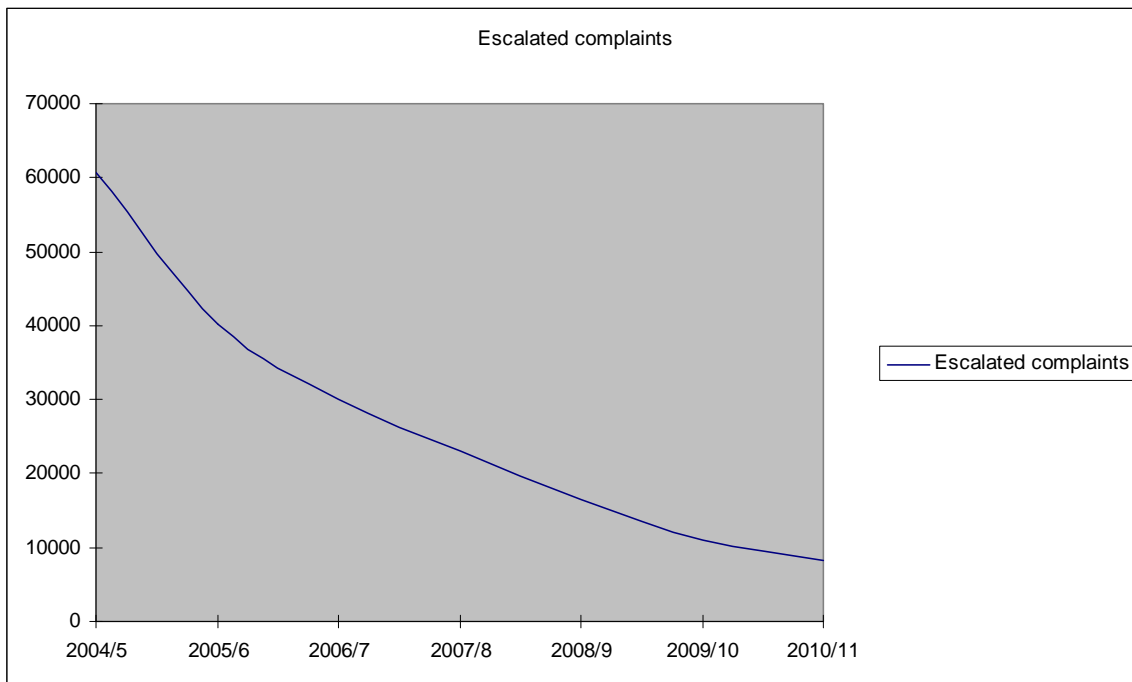
IDRS provide an independent and free service and their findings are binding on Royal Mail. For further information please refer to their website [www.postrs.org.uk](http://www.postrs.org.uk)

## Consumer Direct

**Web:** [www.consumerdirect.gov.uk](http://www.consumerdirect.gov.uk)

**Telephone:** 08454 04 05 06

## Annex 8: Escalated Complaints Trend



## Annex 9: C7 notifications carried out during 2010/11

(the text below is taken directly from [www.royalmailgroup.com](http://www.royalmailgroup.com))

### C7 notifications

#### April 2010

[Amendments to the Royal Mail Specific Terms for International Services](#)

#### June 2010

[Big Book Heavyweight booking period Relaxation](#)

[Launch of Royal Mail Tracked Next Day](#)

[Royal Mail Tracked Product Enhancements](#)

[Launch of Mailsort 70 and Sustainable Mail 70](#)

#### July 2010

[Amendment to Special Delivery™ sold on Account Terms and Conditions](#)

On the 30th of July 2010 Royal Mail notified Postcomm that on 1st of November 2010 there would be an amendment to the terms and conditions for Special Delivery™ sold on Account. Deployment of this initiative has been delayed by one month and will commence on the 1st of December 2010.

#### September 2010

[Changes to presentation requirements for unbagged and unwrapped mailings](#)

[Changes to the inland letter post and inland parcel post schemes](#)

Royal Mail has decided to postpone the merging of the Inland Schemes. All other changes will proceed as published.

[Business Point credit facility \(Post Office Ltd\)](#)

#### October 2010

[VAT on Postal Services](#)

[Corrected Airsure prices](#)

Service Enhancement and Price Change to International Signed For, International Signed For Packs & International Advice of Delivery

Amendment to Royal Mail Safeplace™ Terms and Conditions

Enhancements to Royal Mail's automation specification for Cleanmail® Advance

## November 2010

### [The Royal Mail Sale 2011](#)

Full details of the Royal Mail Sale 2011 can be found at [royalmail.com/rmsale](http://royalmail.com/rmsale)

### [The Royal Mail First Time User Scheme](#)

Royal Mail will not be setting up the First Time User Scheme on meters with the launch of the First Time User Scheme on February the 1st 2011. This is due to internal process constraints. This may still be added at a later date. All the other detail on the First Time User Scheme will proceed as published.

## December 2010

### [Tariff 2011](#)

### [Tariff April 2011 detail](#)

## February 2011

### [Launch of Retail's Royal Mail Advertising Mail® product](#)

[Cleanmail® entry volume reduction, Mailsort® 3 on Saturday and 9th May price changes](#)

## March 2011


[Royal Mail's 2011 Tariff including Menu Based Offers \(PDF 75 KB\)](#)

[Mailsort 1400, Advertising Mail 1400 and Sustainable Mail 1400 posted in Trays \(PDF 67 KB\)](#)

[Change to Royal Mail Tracked® for customers posting over 300k items per year \(PDF 64KB\)](#)

## Annex 10: Examples of Condition 7 Notification

### Condition 7 Notification Letter



[Date] 2011

Philp Groves  
Postcomm  
Hercules House  
6 Hercules Road  
LONDON  
SE1 7DB

Simon Cates  
Director of Regulatory Strategy  
100 Victoria Embankment  
London,  
EC4Y 0HQ  
[simon.cates@royalmail.com](mailto:simon.cates@royalmail.com)

Copied for information to:

Nigel Woods & Natasha Dore  
Consumer Focus  
4<sup>th</sup> floor, Arndley House  
Arndley Row  
LONDON  
SW1P 3RT

**CONDITION 7 NOTIFICATION:**  
[Insert heading]


Dear Philp,

I am writing to formally notify you, under Condition 7 of our Licence, that we will make an amendment to the [insert change] on [insert date] 2011. [insert the reason for change, customer request, changes in the market etc.]

Currently [insert current practice]. This poses difficulties for customers [insert reason, and how change will benefit customers]

A copy of this letter has been sent to Consumer Focus and will be published on Royal Mail's website within four working days.

Yours sincerely,



Simon Cates  
Director of Regulatory Strategy

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### Example of bespoke Solution Notification Spreadsheet

2008104	Pouch Service	51-100K	Renewal	01-Dec-08		29-Aug-08
2008113	Secure Courier Service	3-50k	Renewal	19-Dec-08		12-Sep-08
2008114	Pre Sorted Delivery Complex	51-100k	Renewal	13-Dec-08		12-Sep-08
2008115	Pre Sorted Delivery Complex	51-100k	Renewal	24-Dec-08		12-Sep-08
2008121	BSI service	151-200k	Renewal	01-Jan-09		26-Sep-08
2008122	Pre Sorted Delivery Complex	101-150k	Renewal	31-Dec-08		26-Sep-08
2008123	Exam postings	101-150k	Renewal	05-Jan-09		26-Sep-08
2008123/a	Exam postings	3-50k	Renewal	05-Jan-09		26-Sep-08
2008123/b	Exam postings	3-50k	Renewal	05-Jan-09		26-Sep-08
2008123/c	Exam postings	3-50k	Renewal	05-Jan-09		26-Sep-08
2008123/d	Exam postings	3-50k	Renewal	05-Jan-09		26-Sep-08
2008123/e	Exam postings	3-50k	Renewal	05-Jan-09		26-Sep-08
2008124	Bespoke Collections	3-50k	New	26-Dec-09	26-Dec-08	26-Sep-08
2008126	BFPO Forces Mail Settlement	551-600k	Renewal	31-Dec-08		26-Sep-08
2008133	Pouch Services	2351-2400k	Renewal	12-Jan-09		10-Oct-08
2008149	Enhanced RM Tracked	1,501-1,550k	New	16-Jan-10	16-Jan-09	16-Oct-08
2008150	Enhanced RM Tracked	£751-800k	New	17-Jan-10	17-Jan-09	17-Oct-08
2008156	Public Emergency Communication Facility	3-50k	Renewal	24-Jan-09		24-Oct-08
2008156/a	Public Emergency Communication Facility	3-50k	Renewal	24-Jan-09		24-Oct-08
2008156/b	Public Emergency Communication Facility	3-50k	Renewal	24-Jan-09		24-Oct-08
2008156/c	Public Emergency Communication Facility	3-50k	Renewal	24-Jan-09		24-Oct-08
2008156/d	Public Emergency Communication Facility	3-50k	Renewal	24-Jan-09		24-Oct-08

## Annex 11: Condition 9.5 annual report 2010

### Condition 9 Annual Report for 2010

This report is required to be published by Condition 9(5) of Royal Mail's Licence.

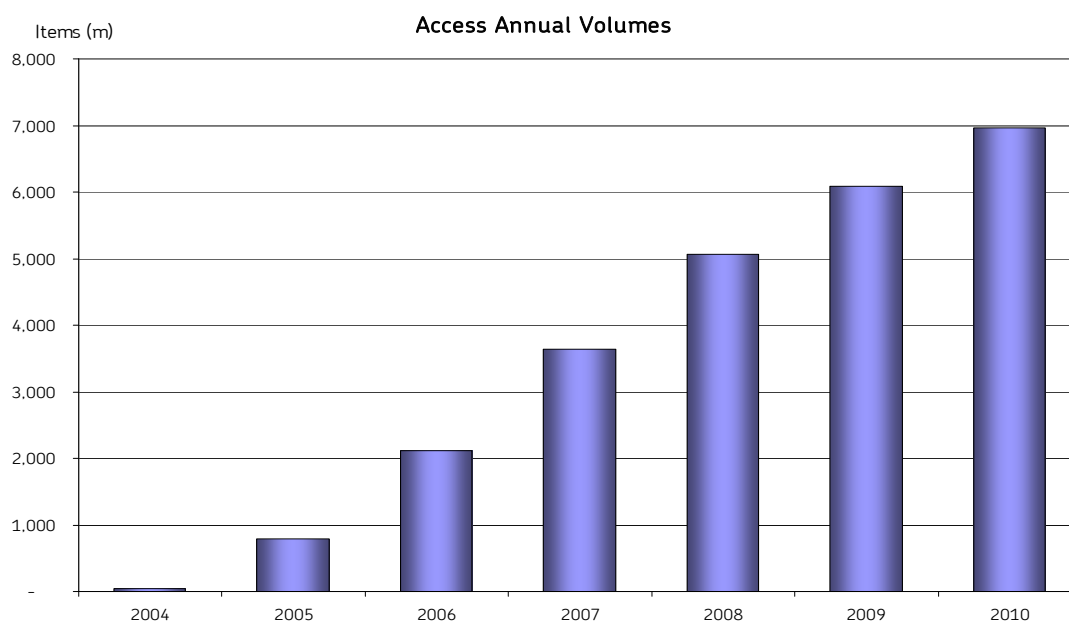
#### Contract Holders

As at December 31st 2010, an additional 7 Condition 9 contracts had been signed, 2 of which were switching from existing contracts to a different type of contract. Hence there were 5 new contract holders. In total there are 33 contract holders of C9 agreements, but 34 contract holders in total if the International Extraction agreement is included. There was one contract termination of a POL Collect agreement, but this type of agreement is not deemed to be a C9.

As at 31st December 2010, there were a total of 242 Agency Customers (an increase of 96 in the year).

#### Volumes

During the calendar year, the total number of items posted amounted to 6,966 million, 6,965million of which were C9.



#### Revenue

Revenue for the calendar year amounted to £1,090.3 million, £1,090m of which was C9.

## Annex 12: Investigation Procedure

### Investigating Allegations of Non-Compliance

#### 1. Introduction

Royal Mail Group Ltd was granted a Licence by Postcomm on 23 March 2001. The Licence was amended on 1 April 2003, 2 November 2005, 25 May 2006 and 13 February, 14 May, 8 June and 22 December 2009. In Condition 13 of that Licence Royal Mail is required to appoint a Compliance Officer for the purpose of facilitating compliance by Royal Mail with certain Licence conditions, namely those in Part 4 “Promotion of effective competition between postal operators”, and conditions 17 and 18 of Part 6 “Provision of Information”.

The Compliance Officer’s tasks include the investigation of any matter which is the subject of a representation made to Royal Mail that:

- It may be contravening a condition of Part 4 of the Licence, or
- It may be failing to comply with the procedures established to meet the requirement to take all reasonable precautions against the risk of failure to comply with the conditions in Parts 4 or 6, or
- Such procedures as are described in (b) are defective.

This document describes the procedure for such an investigation.

#### 2. Scope

The conditions of Part 4 of the Licence are:

9. Access to the Licensee’s postal facilities
10. Prohibition of obtaining unfair commercial advantage
11. Promotion of effective competition
12. Mergers takeovers and change of control
13. Appointment of compliance officer
14. Postal Common Operational Procedures

The relevant conditions in Part 6 of the Licence are:

17. Provision of information to Postcomm
18. Provision of information to the Council [Consumer Focus].

Full details of Royal Mail’s Licence can be found at [www.psc.gov.uk](http://www.psc.gov.uk)

#### 3. Making Representations

Anyone wishing to make a representation has the choice of either first approaching the relevant Royal Mail Director who is in charge of the particular area in question or taking the matter straight to Royal Mail’s Compliance Officer.

With regards to wholesale matters (i.e. access to Royal Mail's postal facilities under Condition 9) the relevant Royal Mail Director would be:

Paul Bates  
Managing Director Royal Mail Wholesale  
Royal Mail Group Ltd  
148 Old Street  
London  
EC1 9HQ

Email: [paul.bs.bates@royalmail.com](mailto:paul.bs.bates@royalmail.com)

Alternatively, you may wish to raise a formal complaint with Royal Mail's Compliance Officer, in which case you should contact:

Anne Fletcher  
Compliance Director  
Royal Mail Group Ltd  
100 Victoria Embankment  
LONDON  
EC4Y 0HQ

Email: [anne.fletcher@royalmail.com](mailto:anne.fletcher@royalmail.com)

#### 4. Treatment of representations

Some representations may be straightforward matters, which can be answered immediately by whoever in Royal Mail receives them. However, the Compliance Officer or her staff will investigate any formal representation of breach of the conditions outlined above.

#### 5. Procedure

Formal representation made to the Compliance Officer will normally be acknowledged by letter or e-mail within 2 working days.

A preliminary investigation to assess whether further investigation is required will begin as soon as possible. The person making the representation will be provided with updates on the progress of the investigation.

The Compliance Officer will identify whether, in her opinion, the relevant Licence Conditions and procedures have been contravened and will discuss with Royal Mail the steps, which should be taken to remedy such a breach, if one is identified.

Information on investigations carried out will be included with Royal Mail's annual report to Postcomm about the Compliance Officer's activities.

Royal Mail takes its obligations to comply with its Licence very seriously and the Compliance Officer will investigate representations made, as described in this document.

A copy of this document is available to all parties who seek negotiations for access to Royal Mail's postal facilities under Condition 9 of Royal Mail's Licence and is available on [www.royalmailwholesale.com](http://www.royalmailwholesale.com)