



# **Roll out of Delivery to Neighbour**

Royal Mail's response to Ofcom's consultation

3 August 2012

# Executive Summary

1. Royal Mail welcomes and supports Ofcom's proposal to allow us to introduce Delivery to Neighbour nationwide.
2. We have detailed comments on the scope and wording of the proposed approval. We believe that, in order to be consistent with the approval given by Postcomm for the trial and the trial we have been running since November 2011, it should be clear that the approval also covers inbound international items which do not require a signature. We also believe that the approval should list those elements of the universal service which the universal service provider is allowed to deliver to neighbours, rather than the individual Royal Mail brand names which meet our universal service obligations.
3. We include at paragraph 16 our suggested wording for the approval.

# Introduction

4. On 11 July 2012, Ofcom launched a consultation about its proposed approval under the Postal Services Act 2011 and the Designated Universal Service Provider (DUSP) Condition. This approval would have the effect of allowing Royal Mail to introduce nationally the delivery of certain items to neighbours of the addressee when they cannot be delivered to the addressee (“Delivery to Neighbour”). Ofcom’s consultation followed a formal request by Royal Mail to allow this change, and a trial by Royal Mail since November 2011 in six areas across the UK, as permitted by the previous regulator, Postcomm. Royal Mail’s report of the trial shows that 92% of postal recipients whose item was left with a neighbour, and 90% of neighbours who accepted an item, expressed overall satisfaction with the experience.

5. Royal Mail welcomes and supports Ofcom’s proposal to approve changes which will allow us to introduce Delivery to Neighbour nationwide. We note the measures which Ofcom considers should be undertaken if approval is granted. We have some observations on the scope and wording of the proposal, which we have set out below in our response.

## Response

Q1 Do you agree that Ofcom should grant approval to Royal Mail for the Delivery to Neighbour service? If not, please explain your answer.

6. Based on the evidence available from our own customer research, Consumer Focus’s research and other sources, we agree that Ofcom should grant approval for Delivery to Neighbour. We are grateful for the input which many organisations and people have made to date.

Q2 Are there other consequences following the roll out of the service across the UK that we have not included in our assessment? If so, please explain.

7. We have no further information to provide at this stage about potential consequences of the roll out of the service.

Q3 Do you have any comments on the scope and wording of the proposed Notification and approval.

8. Royal Mail has comments relating to the both the scope and the wording of the proposed Notification and approval.

### Scope

9. We agree that Ofcom has included in paragraph (2) of the Schedule to the proposed notification those services which we listed in our request. However, we have examined the situation further and believe that we may not have been clear enough in our application to Ofcom. We apologise if this was the case. As a result, we believe the scope of the proposed approval is unintentionally narrower

than the scope of the trial approved by Postcomm in its Direction of 30 September 2011, and therefore the experience of our customers in trial areas. The additional items which are included in the trial, and which we believe should be explicitly brought into the scope of Ofcom's approval, are inbound international items which do not require a signature. These services are part of the Universal Service, but do not have an individual Royal Mail service name in the UK because they are sent from abroad.

10. We suggested excluding explicitly from the scope of the approval those inbound international items which do require a signature, because this will reduce the risk that registered and insured mail from overseas might be mistakenly treated as a simple "signed for" service and delivered to a neighbour in error.<sup>1</sup> We continue to believe this is an appropriate safeguard. However, we believe that consumers will benefit if we can deliver to neighbours those inbound international items which do not require a signature, as we have been doing in trial areas. This would include, for example, Christmas gifts sent from overseas using standard packet and parcel services. We have not been able to identify a significant reason to treat these packets differently from domestic packets sent using First and Second Class. We also understand that other carriers deliver international inbound items to neighbours, therefore it does not appear objectively justifiable to exclude these items from the scope of the approval, because this would leave Royal Mail at a disadvantage compared to its competitors.

11. We therefore request that Ofcom includes in the scope of the approval postal packets conveyed by the universal service provider using inbound international services from the European Union and the rest of the world (except for those requiring a signature).

#### Wording

12. We agree that the proposed wording of the Notification and Schedule could achieve the stated aims (subject to the inclusion of international inbound items described above). We also believe that alternative wording would provide greater regulatory certainty and prevent unnecessary future work to amend the approval, without changing its effect. We explain this in more detail below.

13. Under Ofcom's regulatory framework for postal services which has applied since 1 April 2012, the universal service is described in terms of its characteristics or core features, rather than by using the names of particular services offered by Royal Mail. These characteristics are set out in the Postal Services (Universal Postal Service) Order 2012 and DUSP Conditions 1.6 and 1.7. Ofcom noted in their statement which accompanied the decision on the regulatory framework that:

"Overall, we note that stakeholder feedback was positive, with many respondents – including both industry and user groups – supporting the move to a description of the universal postal service and, in general, our identification of the core characteristics of the universal service. On that basis we note, upfront, that we have adopted our characteristics-based description of the universal service in the Order."<sup>2</sup>

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<sup>1</sup> See paragraph 14 of Royal Mail's Request for Ofcom's approval, 22 May 2012, included as Annex 6 to Ofcom's consultation document of 11 July 2012.

<sup>2</sup> *Securing the Universal Postal Service: Decision on the new regulatory framework*, 27 March 2012, paragraph 4.16

14. Royal Mail supports the characteristics-based description of the universal service. As Ofcom describe in paragraph 4.2 of the consultation document issued on 11 July 2012, Royal Mail notified Ofcom on 30 March 2012 of the services which it provides with a view to meeting its obligations under DUSP Conditions 1.6 and 1.7. The services listed at paragraph 2 of the schedule of the proposed notification and approval are indeed services which were included in Royal Mail's notification of 30 March 2012.

15. We suggest it would, however, be more consistent with a characteristics-based description of the universal service for the Notification and approval to refer to the relevant regulatory conditions, rather than the individual services offered by Royal Mail. This has the following advantages:

- If Royal Mail amended its notification of the services which it provides with a view to meeting its universal service obligations at any time, delivery to neighbour would continue to be permitted for the relevant services. If the services are named, delivery to neighbour would only be possible after a further request to Ofcom, and Ofcom could be obliged to then consult again on this matter. This seems to us to be an unnecessary additional regulatory process which could result in a lack of continuity of service to customers.
- Referring to the regulatory conditions provides greater regulatory certainty that it will be possible to deliver most universal service packets and parcels to neighbours if we consider this appropriate. The need for an additional regulatory re-approval if the list of notified services was amended could reduce the likelihood of Royal Mail making changes to the list of services. We believe this could limit innovation and use by Royal Mail of the flexibility which Ofcom has created in its regulatory regime.

#### Proposal

16. We therefore suggest that paragraph 2 of the Schedule should be drafted as follows to include inbound international packets which do not require a signature, and to refer directly to the relevant regulatory conditions, rather than individual product names:

(2) The postal packets to which this approval applies are postal packets conveyed using services provided by the universal service provider with a view to meeting its obligations under the following conditions:

- DUSP 1.6.1 (a) (Priority Services)
- DUSP 1.6.1 (b) (Standard Services)
- DUSP 1.6.1 (e)(i) (Registered service for items weighing more than 10 kilograms)
- DUSP 1.6.1 (i), except where these postal packets include provision of a proof of delivery or are registered or insured items (Inbound EU services)
- DUSP 1.6.1 (j), except where these postal packets include provision of a proof of delivery or are registered or insured items (Inbound Rest of the World services)
- DUSP 1.6.3 (b) (Articles for the Blind)

# Conclusion

17. Royal Mail supports and welcomes Ofcom's proposed approval which will allow us to introduce Delivery to Neighbour nationwide. We suggest including clearly in the scope of the approval international inbound items which do not require a signature, because these are in the scope of the ongoing trial and of Postcomm's Direction allowing a trial. We also suggest that the approval should be worded so that it does not need amending if there is a change to the names of the services which fulfil the universal service obligations.