



Delivery to Neighbour: Request for Ofcom's approval under the Postal Services (Universal Postal Service) Order 2012

22 May 2012

Purpose

1. This document is Royal Mail's formal request for Ofcom's approval of a neighbour as a delivery point for services covered by the Postal Services (Universal Postal Service) Order 2012 (SI 2012/936) ("the Order") in a way which will allow Royal Mail to implement Delivery to Neighbour throughout the UK. This would allow Royal Mail to deliver certain types of item to the addressee by handing them to a person at an appropriate neighbouring address when no-one is available at the destination address and the item is either too large for the letter box or requires an acknowledgement of delivery.¹
2. In this document, we outline our plans at this stage and highlight relevant additional information which we believe will help Ofcom consider the request and inform its public consultation.

Background

3. Postcomm made a Direction on 29 September 2011 which allowed Royal Mail to make arrangements for a trial of Delivery to Neighbour. As required by the Direction, Royal Mail notified Ofcom and Consumer Focus on 27 October 2011 ("the Notification") that it would start the Trial in certain parts of six delivery areas and this would run from 28 November 2011 until 25 February 2012. The Trial continues and covers c.748,000 delivery addresses served by 1,410 delivery walks made by Royal Mail postmen and women from 21 Royal Mail Delivery Offices and 8 Scale Payment Delivery Offices. Customers who are likely to receive a delivery of mail from the units involved in the Trial may opt-out of the Trial at any time by displaying prominently at their address a sticker which is available free of charge via the website www.royalmail.com or following a telephone call to a dedicated Royal Mail Customer Services phone number.
4. On 7 February 2012, Royal Mail notified Ofcom and Consumer Focus that it intended to extend the period of the Trial by a further three months (to 26 May 2012) because customers found significant benefit in the Trial and in order to maintain a live trial area while evaluation of the trial took place.
5. On 8 May 2012, Royal Mail sent Ofcom and Consumer Focus its evaluation of the Trial (up to 25 February 2012) against key performance indicators. This evaluation reported consumer research conducted for Royal Mail by a research agency. The research showed that 92% of recipients whose item was left with a neighbour and 90% of neighbours who accepted an item expressed overall satisfaction with the experience. A public version of the report, without confidential business information, was placed on Royal Mail's website. Royal Mail considers it has satisfied the requirements of paragraph 4.8 of the Direction by publishing this information.

¹ This does not include the services listed in paragraph 14.

6. Section 31 (requirement 1) (1) of the Postal Services Act 2011 (“the Act”) specifies the universal postal service requirements for delivery of letters and other postal packets and empowers Ofcom to approve delivery points for them. Such approval must take place in accordance with Schedule 6 of the Act. Paragraph 4(c) of the Order reiterates the provisions of s.31 of the Act.
7. The Order has applied since 1 April 2012 and paragraph 4 sets out that:
 4. Where a service described in this Order requires delivery of a postal packet, delivery shall be effected if—
 - (a) the postal packet has been delivered to the postal address marked on the postal packet;
 - (b) the postal packet has been delivered to a person named as an addressee on the postal packet;
 - (c) the postal packet has been delivered to another delivery point requested by the addressee or approved by OFCOM for the purposes of this paragraph; or
 - (d) an unsuccessful attempt has been made to deliver the postal packet in accordance with subparagraphs (a), (b), or (c) and a universal service provider offers the addressee a choice of redelivery within a reasonable period and an opportunity to collect the postal packet from any of the following places—
 - (i) a post office;
 - (ii) a delivery office; or
 - (iii) another collection point approved by OFCOM for the purposes of this paragraph.
8. In its document *Securing the Universal Postal Service* (para 4.81), Ofcom set out its view that paragraph 4(c) was an enabling measure and that in order to give approval for national deployment of Delivery to Neighbour, Ofcom would need to follow the process set out in Schedule 6 of the Postal Services Act 2011. This meant that a consultation (by Ofcom) on delivery to neighbour would be necessary before Ofcom could determine whether a neighbour could be allowed to be an alternative delivery point.
9. Today, Royal Mail has separately notified Ofcom and Consumer Focus of a further extension to the Trial by 6 months in light of the present request for regulatory approval to allow Delivery to Neighbour to be extended throughout the UK.

Our proposal following the Trial

10. Royal Mail proposes that, for the benefit of customers, we should be permitted to implement Delivery to Neighbour nationally on the same basis as the Trial.
11. Our Trial of Delivery to Neighbour in six areas of the UK has been described fully in previous submissions, including our Notification and Postcomm’s decision document and Direction. The report of the Trial showed that:
 - **Customers welcomed the Trial and found considerable benefit in it:** 92% of recipients whose item was left with a neighbour and 90% of neighbours who accepted an item expressed overall satisfaction with the experience.
 - **There was a very low level of customer complaints:** Only 63 customer complaints were recorded in total during the Trial, and 23 of these were from customers who wanted delivery to neighbour when it had not occurred.

- **There was no adverse impact on Quality of Service:** There were no reported walk failures as a result of Delivery to Neighbour.
- **There were no reported additional delivery costs associated with the delivery of items to neighbours:** Any extra time taken on walks to complete additional attendance calls was absorbed into existing workloads.

12. The following paragraphs describe key issues and clarify Royal Mail's plans as far as possible at this stage.

Planned scope of Delivery to Neighbour

13. Royal Mail plans that the nationwide deployment of Delivery to Neighbour would cover the same services as covered during the Trial. This includes services which are outside the scope of the universal service. There have, however, been some changes to service names since the start of the Trial. The regulatory framework has also changed.

14. For the avoidance of doubt, the following services do not feature in our plan to Deliver to Neighbour and would not be delivered to neighbours:

- Royal Mail Special Delivery™
- Do Not Redirect items²
- Inbound international items requiring a signature³

15. On 30 March 2012, Royal Mail notified Ofcom under DUSP Condition 1.10.1 of the services which we provide with a view to meeting our obligations under DUSP Condition 1.6 and 1.7 (end-to-end services and addressee services as part of the universal service obligation). The services on that list which Royal Mail plans could be delivered to a neighbour are:

- First Class without and with Recorded Signed For™
- Second Class without and with Recorded Signed For™
- Standard Parcels (above 1kg)
- Articles for the Blind

Opt-out arrangements

16. Royal Mail offered an opt-out for receiving customers during the Trial and intends to introduce the same opt-out arrangements for national deployment.

17. Customers would be able to opt-out of Delivery to Neighbour by displaying a sticker in a prominent location at their address (e.g. on or near their letterbox). Royal Mail would send stickers, free of charge, to customers who provide their address details to Royal Mail either via the web-site www.royalmail.com or via telephone to Royal Mail Customer

² These are specific items posted by the Department for Work and Pensions or local authorities

³ All inbound items requiring a signature are excluded to 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.

Services via an dedicated automated phone number. For these customers, undeliverable items would be returned to the local Royal Mail Delivery Office. There would also be no attempt to leave items with these customers as neighbours.

18. During the trial, Royal Mail received requests for stickers amounting to 0.6% of addresses within the trial areas.

Definition of Neighbour and Discretion of Royal Mail

19. A neighbour for the purposes of delivering items is considered by Royal Mail to be a person who lives within close proximity of the address on the item. They may be a next-door neighbour or someone who lives sufficiently close by.
20. The delivery postman or woman would have the flexibility to make an appropriate judgement of which neighbour to approach and indeed whether to approach a neighbour at all. In exercising that judgement s/he may rely on their familiarity with their walk and pointers of occupation such as previous experience, a car in the drive, or an open window.

Liability and Compensation

21. During the trial, Royal Mail undertook that we would remain liable for mail delivered in the trial areas on the same legal basis as for mail delivered outside the trial areas, and that we would pay compensation according to the policy in force at the time. This meant that, where compensation for loss or damage was available in respect of an item, Royal Mail would pay compensation according to the policy in force at the time. For services provided under contract, the terms differ from the services which are part of the universal service.
22. There were no reported complaints during the trial of items being opened by neighbours. The two complaints about neighbours apparently initially denying that they had received an item were resolved. Both cases involved individual neighbours not being aware that someone else in their household had accepted the item, and all items were recovered and reached the intended recipient. We conclude that there has been no evidence of particular concern about liability, compensation or mails integrity as a result of delivering undeliverable items to neighbours.
23. Royal Mail would continue the arrangements for any national deployment of Delivery to Neighbour.

Communication with customers

24. Royal Mail would publicise national introduction of Delivery to Neighbour in a number of different ways, including a planned leaflet to every household in the UK.

25. In the event that it is necessary for Royal Mail to address the issue in the Schemes made under the Postal Services Act 2000 (as amended), Royal Mail would consult as required by section 89A of the Act.

26. Royal Mail would also ensure that at least one month's notice was given to Ofcom and Consumer Focus of changes affected the terms and conditions of services provided under the universal service in line with DUSP 1.10.1.

Conclusion – Request for approval under the Order

27. Given the highly successful trial of Delivery to Neighbour and the results which have been reported to Ofcom and Consumer Focus, Royal Mail considers that an approval under the Order

- a. is **objectively justifiable**, because there has been a trial which has demonstrated both demand for and satisfaction with the Delivery to Neighbour service;
- b. **does not discriminate unduly against particular persons or a particular description of persons**, because it is possible to opt-out from the service. There have also been no complaints from organisations representing particular groups of persons about the trial;
- c. can be achieved **proportionately**, because Royal Mail is only seeking the flexibility to deliver eligible items to neighbours if they cannot be delivered to the intended recipient, and not any general permission to deliver all items to a neighbour rather than the intended recipient. The report of the trial also allows us to conclude that pre-trial concerns about liability for loss and damage and compensation have not been borne out in practice; and
- d. can be achieved **transparently**, because this request describes the clear reasons for seeking such an approval.

28. Royal Mail therefore requests that Ofcom takes the necessary regulatory steps to approve neighbour as an alternative delivery point under paragraph 4(c) in such a way as to allow the service to be offered nationwide for the relevant services which form part of the universal service.