



Royal Mail – roll out of Delivery to Neighbour scheme

Statement

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Section 1

Executive summary

- 1.1 Royal Mail is only permitted to deliver postal packets to certain points specified in the Postal Services (Universal Postal Service) Order 2012 (“the Order”) and Designated USP (“DUSP”) Condition 1.2.2. That list does not currently include the premises neighbouring the addressee of a postal item. Section 4(c) of the Order does however provide that an item may be delivered to another delivery point approved by Ofcom.
- 1.2 In July 2011 Royal Mail applied for, and was granted, regulatory approval to undertake a trial of the delivery of items which could not be delivered to an addressee (for example because the item is too large to fit through the letterbox or requires a signature) to neighbours (the “delivery to neighbour” service)¹.
- 1.3 The trial took place in six areas across the UK from the end of November 2011 to the end of February 2012. The delivery to neighbour process has continued to date in the six areas in view of the successful outcome of the trial.
- 1.4 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. 6% were neither satisfied nor dissatisfied. 1% were fairly dissatisfied and 1% very dissatisfied. In addition in the trial areas there was a reduction of approximately 40% in the number of undeliverable items that were returned to delivery offices.
- 1.5 Consumer Focus undertook its own research² into the trials and published a report in August 2012 which provided generally positive feedback. Consumer Focus has expressed broad support for a national roll out although it did identify some issues, such as staff training, which it considers should be addressed in any national roll out.
- 1.6 Royal Mail submitted a formal request to Ofcom for approval of the delivery to neighbour service on a national basis. On 11 July 2012, Ofcom issued a consultation³ to seek views from stakeholders on Royal Mail’s application. We noted the increase in goods purchased over the internet, by mail or by phone; that packets and parcel services are the method of delivery for these purchases and that other operators competing with Royal Mail are currently permitted to leave undelivered items with neighbours.
- 1.7 Having regard to our duty under section 29 of the Postal Services Act 2011 to carry out our functions in a way that we consider will secure the provision of a universal postal service, including the need for the provision of that service to be financially sustainable and efficient, we set out our provisional view that Royal Mail should be permitted to deliver items to neighbours to improve the convenience of the service for postal users, and enable a more efficient delivery system for Royal Mail. In the July consultation document we therefore proposed to allow a national roll out of delivery to neighbour. In making this proposal we took account of the positive results of the trial from Royal Mail’s report and the research undertaken by Consumer Focus. We considered that the delivery to neighbour service would further the interests of citizens and consumers by saving people the time and costs incurred in arranging for

¹ <http://stakeholders.ofcom.org.uk/binaries/post/1996.pdf>

² <http://www.consumerfocus.org.uk/news/consumer-watchdog-welcomes-delivery-to-neighbours>

³ <http://stakeholders.ofcom.org.uk/consultations/royal-mail-delivery-neighbour/>

undelivered postal packets to be collected at the delivery office or the Post Office or delivered on a different day.

- 1.8 The consultation was originally due to close on 24 August 2012 but due to a technical error affecting the submission of responses through the web site, the period of consultation was extended to 12 September 2012 to enable respondents to resubmit their responses. We received 832 responses to the consultation document.
- 1.9 Also in July, Royal Mail published proposals to change its Inland Letter and Parcel Schemes to enable delivery to neighbour to be undertaken in accordance with its published terms and conditions for non-contract customers. Consumer Focus responded to these proposals and Royal Mail published its final decision on these amendments. The new schemes will only be introduced if Ofcom accepts Royal Mail's application⁴.
- 1.10 This statement sets out a summary of the responses to the consultation, our analysis of those responses and, having taken account of the representations made to us, the reasons for our decision which is to approve the neighbours of addressees as "delivery points" for the purposes of the Order and DUSP Condition 1.2.2 for certain postal items.

⁴ http://www.royalmail.com/sites/default/files/SchemeDecision_DeliverytoNeighbour_Aug2012.pdf

Section 2

Background

- 2.1 The provision of a universal postal service is central to the role that post plays in society. Section 31 of the Postal Services Act 2011 ("the Act") sets out the services that must, as a minimum, be included in a universal postal service. Royal Mail, as the designated universal service provider⁵, must provide a universal postal service⁶ which includes delivery and collection of letters six days a week. It must also ensure that prices for services that are part of the universal service are affordable and uniform throughout the UK. In 2010-11 16 billion letters were delivered to 28.8 million addresses and Royal Mail delivered 99% of these.
- 2.2 The postal sector faces major challenges and the sustainability of the universal service has come under severe pressure as a result of factors such as the expansion of electronic media. Details of the challenges facing Royal Mail and our proposals to safeguard the provision of the universal service can be found in our consultation on securing the universal postal service⁷ and subsequent statement published in March of this year⁸.
- 2.3 Ofcom's primary duty under the Act is to carry out our functions in relation to post in a way which we consider will secure the provision of a universal postal service. Ofcom's principal duty under the Communications Act 2003 ("the 2003 Act") is to further the interests of citizens and consumers, where appropriate by promoting competition.
- 2.4 Whilst letter volumes are falling, parcel volumes are rising due to an increase in volumes of purchases from online retailers. Royal Mail stated in its Annual Report 20129 that for its UK parcels, international & letters business, domestic parcels deliveries grew 6% between 2010-11 and 2011-12 (from 614 million items to 651 million).
- 2.5 Royal Mail's standard delivery practice is that, where an item cannot be delivered because the item is too large to fit through the letterbox or requires a signature and the addressee is unable to receive it (typically when they are not at home) then the item is returned to the delivery office and a P739 card is left informing the addressee of the options available to receive the item. Currently, those options are for the addressee to:
 - collect the item from the delivery office (or ask someone to collect on their behalf);
 - arrange re-delivery for a different day;
 - arrange delivery to another address in the same postcode area; or
 - arrange for the item to be delivered to a local Post Office (for which there is currently a £1.50 fee).

⁵ Section 35 of the Act

⁶ Pursuant to the Designated USP Condition set under section 36 of the Act

⁷ <http://stakeholders.ofcom.org.uk/consultations/securing-the-postal-service/>

⁸ <http://stakeholders.ofcom.org.uk/consultations/review-of-regulatory-conditions/statement/>

⁹ http://www.royalmailgroup.com/sites/default/files/Annual_Report_2012.pdf

The Trial of Delivery to Neighbour

- 2.6 In July 2011, Royal Mail applied to the former postal regulator, Postcomm, for regulatory approval to undertake a trial of the delivery of undeliverable items (with the exception of *Special Delivery Next Day* and *International Signed For* items) to neighbours (the “delivery to neighbour” process).
- 2.7 Royal Mail considered that a trial would enable it to identify whether customers would benefit from such a scheme, and whether any costs to Royal Mail might outweigh those benefits. It also noted that it would bring it in line with its competitors who are all able to leave items with neighbours.
- 2.8 Postcomm made a direction on 29 September 2011 allowing Royal Mail to carry out the trial of its delivery to neighbour process. Postcomm’s decision followed agreement by Royal Mail that it would retain liability for mail delivered in the trial areas on the same basis as for mail delivered outside the trial areas and that it would provide an opt out mechanism for addressees who did not wish to take part in the trial.
- 2.9 Royal Mail was to advise Ofcom and Consumer Focus of its communications plan and the results of the trial and to publish those results. Royal Mail would also confirm the operational measures which were to be tested in the trial, for example whether delivery to neighbour resulted in any postmen/women failing to complete their walk and any impacts on its quality of service obligations¹⁰.
- 2.10 Royal Mail notified Ofcom and Consumer Focus on 27 October 2011 that it would start the trial in certain parts of six delivery areas (Edinburgh, Gatwick, North Hull, Norwich, Swansea East and Bolton/Wigan) and that this would run from 28 November 2011 until 25 February 2012.
- 2.11 The trial allowed postmen/women to leave undeliverable post with a neighbour if the intended recipient was not at home or otherwise unable to receive it. They were to identify a suitable nearby property, attempt to deliver the item there and ask the neighbour if they would be willing to take receipt of the item on behalf of the addressee. If they agreed to do so, the postman or woman would record the neighbouring address on the ‘Something for you’ card¹¹ and post this card at the recipient’s address. Recipients who opted out via a sticker¹² displayed near their letterbox were not to have their post left with a neighbour or be asked to take post for a neighbour, and instead their post would be returned to the delivery office or post office as usual.
- 2.12 Royal Mail delivered a leaflet to all properties in the six areas informing them of the trial, and consumers in these areas were offered the option to opt out (both as a recipient and as a neighbour to whom post would be delivered in the event that an addressee were unable to receive it) by displaying a sticker at their address.

¹⁰ <http://www.royalmailgroup.com/our-customers/quality-service>

Under Royal Mail’s regulatory conditions DUSP 5.5, 5.7(a), and CP1, it has an obligation to meet certain quality of service performance standards. Failure to meet these standards may result in investigation by Ofcom or the imposition of financial penalties. Ofcom requires Royal Mail to publish its quarterly quality of service results on its website. Royal Mail identified no adverse impact on USO Quality of Service (i.e. failure to complete walks) in the trial areas as a result of the Delivery to Neighbour process.

¹¹ This is a card left by postmen/women with addressees to indicate which neighbour had taken the item on their behalf.

¹² The sticker stated: “Please return the items you can’t deliver to the delivery office”

Royal Mail's Request for Regulatory Approval

- 2.13 Following the trial, Royal Mail submitted a formal request to Ofcom to allow neighbours of addressees of undeliverable mail to be considered to be "another delivery point" as provided for by section 4 (c) of the Postal Services (Universal Postal Service) Order 2012 and DUSP Condition 1.2.2.
- 2.14 Royal Mail proposed that the following services could be delivered to a neighbour:
- First Class without and with Recorded Signed ForTM;
 - Second Class without and with Recorded Signed ForTM;
 - Standard parcels (above 1kg);
 - Articles for the blind (a free service for blind and partially sighted people in respect of items specifically related to their medical condition e.g.: Braille items); and
 - Inbound international items not requiring a signature.
- Services not included within the delivery to neighbour scheme are:
- Royal Mail Special DeliveryTM; and
 - Do Not Redirect items (these are items sent by the Department of Work and Pensions under separate legislation).
- 2.15 Royal Mail proposed to continue to offer an opt out from the service for addressees of items and those who did not wish to take in post for neighbours. Customers would be able to opt out 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 Services via a dedicated automated phone number. For these customers, undeliverable items would be returned to the local Royal Mail delivery office. There would be no attempt to leave items with the neighbours of these customers or to ask them to receive their neighbours' undeliverable items.
- 2.16 Royal Mail said that it would retain liability for mail delivered to neighbours on the same basis as other mail, and would pay compensation according to the compensation policy in force at the relevant time¹³. Royal Mail considers a neighbour 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.
- 2.17 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 he or she may rely on their familiarity with their walk. Royal Mail would provide guidance to its employees in relation to how to assess the suitability of alternative addresses for delivery of items.

¹³ Royal Mail's compensation policy for loss can be found at : <http://www.royalmail.com/customer-service/personal-customers/refunds-and-compensation/lost-item-compensation/lost-items>

- 2.18 Royal Mail stated that it would publicise any national introduction of the delivery to neighbour service in a number of different ways, including a leaflet to every household in the UK. As it wished to roll out the service nationally in time for Christmas 2012, Royal Mail distributed this leaflet in advance of and subject to Ofcom's final decision. It also consulted on changes to its Inland Letter Post Scheme and Inland Parcel Post Scheme to take account of the potential introduction of the service and published the terms of the amended schemes in the London, Edinburgh and Belfast Gazettes ahead of Ofcom's decision on its request for regulatory approval of the service. Royal Mail agreed that although it would publish the amended schemes it would not commence roll out of delivery to neighbour unless Ofcom's accepted its application.

Section 3

Legal framework

Introduction

- 3.1 The Postal Services Act 2011 (“the Act”) received Royal Assent on 13 June 2011 and came into force on 1 October 2011. One of the Act’s main purposes was to make provision for a new regulatory framework for the postal services sector, including transferring regulatory responsibility from Postcomm to Ofcom. The vesting of this new responsibility for Ofcom took place on 1 October 2011.
- 3.2 Its provisions also give effect to Directive 2008/6/EC of the European Parliament and of the Council of 20 February 2008, which amends Directive 97/67/EC with regard to the full accomplishment of the internal market of Community postal services.
- 3.3 The Act also replaced the existing licensing regime in the postal sector with a general authorisation regime. This means that persons may provide postal services without the need for any licence or authorisation but that the provision of those services by postal operators may be subject to regulatory conditions that Ofcom may impose under Part 3 of the Act¹⁴.
- 3.4 The rest of this Section summarises the key features of the legal framework which are relevant to Ofcom’s decision.

Duty to secure provision of a universal postal service

- 3.5 Section 29(1) of the Act provides that Ofcom must carry out its functions in relation to postal services in a way that it considers will secure the provision of a universal postal service. Section 29(2) of the Act provides that Ofcom’s power to impose access or other regulatory conditions is subject to the duty imposed by section 29(1) of the Act.
- 3.6 Section 29(3) of the Act provides that, in performing our duty under section 29(1), we must have regard to the need for the provision of a universal postal service to be:
 - financially sustainable; and
 - efficient before the end of a reasonable period and for its provision to continue to be efficient at all subsequent times.

The universal service

- 3.7 Section 30 of the Act provides that Ofcom must set out in an order a description of the services Ofcom considers should be provided in the United Kingdom as a universal postal service and the standards with which those services must comply.
- 3.8 The universal postal service must, as a minimum, include each of the services set out in section 31 of the Act.

¹⁴ The types of conditions we can impose are those in sections 36, 38, 39, 41, 42, 48-51 of the Act.

3.9 The minimum requirements specified by the Act in relation to the delivery of letters or other postal packets are:

At least one delivery of letters every Monday to Saturday and at least one delivery of other postal packets every Monday to Friday —

- to the home or premises of every individual or other person in the United Kingdom, or
- to such identifiable points for the delivery of postal packets as OFCOM may approve.

3.10 Ofcom has met its requirements under section 30 of the Act by making the Postal Services (Universal Postal Service) Order 2012 (“the Order”).

Universal Postal Service Order and DUSP 1

3.11 Section 4 of the Order provides that where a service required by the 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 the paragraph; or
- d) an unsuccessful attempt has been made to deliver the postal packet in accordance with the methods above 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:
 - (i) a post office;
 - (ii) a delivery office; or
 - (iii) another collection point approved by OFCOM.

3.12 Under section 36 of the Act, Ofcom may impose a designated universal service provision (“DUSP”) condition on a universal service provider if it considers it is necessary to do so in order to secure the provision of a service of a description set out in the Order in accordance with the standards set out there.

3.13 DUSP Condition 1.2.2 contains the requirements of section 4 (c) of the Order in relation to the delivery of postal packets.

Legal Test

General test for directions and approvals under regulatory conditions

3.14 Paragraph 4(1) of Schedule 6 to the Act applies if a regulatory condition has effect by reference to directions, approvals or consents given by a person and the person

proposes to give such a direction, approval or consent affecting the operation of the condition.

- 3.15 Under paragraph 4(2) of Schedule 6, Ofcom may only give a direction, approval or consent if satisfied that to do so:
- is objectively justifiable;
 - does not discriminate unduly against particular persons or a particular description of persons;
 - is proportionate to what it is intended to achieve; and
 - is transparent in relation to what it is intended to achieve.

General duties

- 3.16 Section 3 of the Communications Act 2003 (the “2003 Act”) provides that it shall be our principal duty, in carrying out our functions, to further the interests of citizens in relation to communications matters and to further the interests of consumers in relevant markets, where appropriate by promoting competition.
- 3.17 This principal duty applies also to functions carried out by us in relation to postal services. Section 3(6A) of the 2003 Act provides that the duty in section 29(1) of the Act takes priority over our general duties in the 2003 Act in the case of conflict between the two where we are carrying out our functions in relation to postal services.
- 3.18 In performing our general duties, we are also required under section 3(4) of the 2003 Act to have regard to a range of other considerations, which appear to us to be relevant in the circumstances. In this context, we consider that a number of such considerations appear potentially relevant, including:
- the desirability of promoting competition in relevant markets;
 - the desirability of encouraging investment and innovation in relevant markets;
 - the vulnerability of children and of others whose circumstances appear to Ofcom to put them in need of special protection;
 - the needs of persons with disabilities, of the elderly and of those on low incomes;
 - the opinions of consumers in relevant markets and of members of the public generally; and
 - the different interests of persons in the different parts of the United Kingdom, of the different ethnic communities within the United Kingdom and of persons living in rural and in urban areas.
- 3.19 Section 3(5) of the 2003 Act provides that in performing our duty to further the interests of consumers, we must have regard, in particular, to the interests of those consumers in respect of choice, price, quality of service and value for money.
- 3.20 Pursuant to section 3(3) of the 2003 Act, in performing our general duties, we must have regard, in all cases, to the principles under which regulatory activities should be

transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed, and any other principles appearing to us to represent the best regulatory practice.

- 3.21 In this regard, we note Ofcom's general regulatory principles¹⁵ including in particular the following in the present context:
- ensuring that our interventions are evidence-based, proportionate, consistent, accountable and transparent in both deliberation and outcome;
 - seeking the least intrusive regulatory mechanisms to achieve our policy objectives;
 - consulting widely with all relevant stakeholders and assessing the impact of regulatory action before imposing regulation upon a market.
- 3.22 Finally, we have an ongoing duty under section 6 of the 2003 Act to keep the carrying out of our functions under review with a view to ensuring that regulation by Ofcom does not involve the imposition of burdens which are unnecessary or the maintenance of burdens which have become unnecessary.

General impact assessment

- 3.23 The analysis presented in section 5 of this document represents an impact assessment, as defined in section 7 of the 2003 Act.
- 3.24 Impact assessments provide a valuable way of assessing different options for regulation and showing why the preferred option was chosen. They form part of best practice policy-making. This is reflected in section 7 of the 2003 Act, which means that generally Ofcom has to carry out impact assessments where its proposals would be likely to have a significant effect on businesses or the general public, or when there is a major change in Ofcom's activities. However, as a matter of policy Ofcom is committed to carrying out and publishing impact assessments in relation to the great majority of its policy decisions. For further information about Ofcom's approach to impact assessments, see our guidelines¹⁶.
- 3.25 Specifically, pursuant to section 7, an impact assessment must set out how, in our opinion, the performance of our general duties (within the meaning of section 3 of the Act) is secured or furthered by, in relation to what we propose.

Equality impact assessment

- 3.26 In carrying out our functions, we are under a general duty under the Equality Act 2010 to have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation;
 - advance equality of opportunity between different groups; and
 - foster good relations between different groups,

¹⁵ See this link for a full list of the principles, <http://www.ofcom.org.uk/about/what-is-ofcom/statutory-duties-and-regulatory-principles/>

¹⁶ http://stakeholders.ofcom.org.uk/binaries/consultations/ia_guidelines/summary/condoc.pdf

in relation to the following protected characteristics: age; disability; gender re-assignment; pregnancy and maternity; race; religion or belief; sex and sexual orientation.

- 3.27 Such equality impact assessments also assist us in making sure that we are meeting our principal duty under section 3 of the 2003 Act discussed above.
- 3.28 We have therefore considered what (if any) impact the proposals in the consultation may have on equality (please see section 7).

Section 4

Summary of consultation

- 4.1 In the consultation document published on 11 July 2012¹⁷, we explained the background to Royal Mail's present application for regulatory approval of the delivery to neighbour service.
- 4.2 In July 2011, Royal Mail applied to Postcomm for approval to undertake a trial of the delivery of certain undeliverable items to neighbours. Postcomm consulted on this request and subsequently agreed to the trial following some modifications to the original proposal by Royal Mail.¹⁸
- 4.3 The results of the Royal Mail trial and Royal Mail's customer research indicated a very high level of customer satisfaction among customers who experienced the new process. Principal results from Royal Mail's research are shown below:
 - 92% of recipients whose item was left with a neighbour expressed overall satisfaction with the experience¹⁹. Of these 70% stated that they were very satisfied with the experience and 22% stated that they were fairly satisfied.
 - 90% of neighbours who accepted an item expressed overall satisfaction with the experience. Of these, 56% stated that they were very satisfied with the experience and 34% stated that they were fairly satisfied.
 - 63 consumer complaints were received by Royal Mail. The main reasons were customers not receiving opt out stickers in time, and items being delivered to neighbours when customers did not want this. No items were lost as a result of the new process.
 - in the trial areas, 86.3% of packet/signature items were delivered as addressed first time. 7.5% of items were returned to the delivery office and 6.2% of items were successfully delivered to a neighbour. In the control areas 88% were delivered as addressed first time and 12% returned to the delivery office. Customer re-delivery requests fell by 9.2% in the trial areas.
 - 0.59% of addresses in the trial area requested an opt out sticker.
 - There were no reported walk failures as a result of the trial i.e. postmen running out of time to complete their round due to having to find neighbours to accept items, and no reported additional delivery costs. No delivery staff reported any extra time being taken to conduct delivery tasks as a result of the trial.

¹⁷ <http://stakeholders.ofcom.org.uk/binaries/consultations/royal-mail-delivery-neighbour/summary/condoc.pdf>

¹⁸ The main issue arising from Postcomm's original consultation was concern that addressees should have a right to opt out from the delivery to neighbour service and that Royal Mail should retain liability for items delivered to neighbours until the point at which the addressee received the item. Royal Mail confirmed that people would have the right to opt out of the service and that compensation would be paid for the loss of items and so approval for the trial was granted.

¹⁹ Royal Mail commissioned the research agency Illuminas to undertake research quantifying customer satisfaction for both receiving customers and neighbours in the trial areas.

- 4.4 Consumer Focus undertook its own research²⁰ into the impact of the trial specifically both the end-to-end journey of undeliverable items from collection to delivery, and the experience of consumers as senders, recipients and neighbours.
- 4.5 The Consumer Focus research identified some issues relating to the implementation of the service (please see paragraph 4.7 below), but almost all consumers whose post was left with a neighbour expressed satisfaction:
- 88% of trial recipients said that they received a card notifying them that their post had been left with a neighbour;
 - 98% of those who received a card notifying them that their post had been left with a neighbour believed there was sufficient detail provided on the card to allow them to identify which neighbour had accepted delivery of their post;
 - 99% of trial recipients were happy with the neighbour that the postman/woman chose to leave their post with;
 - 95% of trial recipients collected their post that had been left with their neighbour within 24 hours;
 - no trial recipients reported that their post was lost or damaged when they went to collect it from their neighbour;
 - 99% of trial recipients were happy that their post was left with a neighbour rather than being returned to the delivery office for collection or redelivery.
- 4.6 Similarly, those who received post on behalf of their neighbours were positive about the experience: 98% of trial neighbours reported that it was convenient for them to receive this post on their neighbour's behalf.
- 4.7 Consumer Focus also identified areas for improvement in the scheme. It found that around four in ten customers stated that the trial made no difference or that they were not aware of it. In addition postmen/women needed to be aware of the guidelines (which were not always applied correctly). Even in trial areas where the recipient had not opted out, only a small minority actually received a card to instruct them to pick the item up from a neighbour. Many items were returned to the delivery office or left on the recipient's property. The opt out was not always respected and Special Delivery was sometimes left with a neighbour or Recorded Signed For put through the letterbox.
- 4.8 The research found that awareness of the trial was low – its consumer survey found that only one-third of those living in the trial areas were aware that the trial was taking place.
- 4.9 Only half of consumers who were aware of the trial knew that they could opt out.
- 4.10 We noted Consumer Focus's overall conclusion that, subject to Royal Mail improving the publicity needed to make consumers aware of delivery to neighbour and their ability to opt out, and the need for Royal Mail delivery staff to be made properly aware of the rules relating to delivery to neighbour, it supported national roll out on the basis of the very positive responses from customers who had actually participated in the trial. Consumer Focus's research supports the positive results

²⁰ <http://www.consumerfocus.org.uk/news/consumer-watchdog-welcomes-delivery-to-neighbours>

from Royal Mail's own research which again indicates that the vast majority of customers are likely to be able to benefit from the new arrangements.

- 4.11 Royal Mail is the only major postal delivery company currently not permitted to deliver to a neighbour as part of its standard practice. Parcelforce, an unregulated part of the Royal Mail Group, already leaves items with neighbours, as do Royal Mail's competitors. In the consultation document, we considered that if we did not grant Royal Mail approval to deliver postal packets to an addressee's neighbour, there may be a continuing impact on the competitive process since Royal Mail's competitors are able to leave undeliverable items with neighbours.
- 4.12 We also considered that a delivery to neighbour service would improve the convenience and flexibility of the delivery service for postal users (senders and receivers of mail) by saving people the time and costs incurred in arranging for undelivered postal packets to be collected at the delivery office, the Post Office or on a different day.
- 4.13 As Royal Mail confirmed in its application for regulatory approval that it would continue to offer the right to opt out of the service and retain liability for lost and damaged items covered by the service as it had done during the trial, Ofcom considered that there would be proportionate and effective safeguards in place to address the majority of consumer concerns.
- 4.14 We noted that although the trial did not cover any part of London, we considered that the six delivery areas covered in the trial were sufficiently representative of different parts of the UK.
- 4.15 Ofcom noted the results of the Consumer Focus research which indicated patchy knowledge on the part of consumers about the trials. Ofcom stated in the consultation that it would expect Royal Mail to take appropriate steps to ensure that customers were made aware of any roll out. (We note that following the consultation Royal Mail sent a leaflet publicising the scheme to every household in the UK which noted that the scheme remained subject to regulatory approval.)
- 4.16 Finally we considered that granting an approval to Royal Mail to allow it to deliver certain postal packets²¹ to an addressee's neighbour when the addressee is not present at the destination address would satisfy the statutory criteria at paragraph 4(2) of Schedule 6 of the Act for granting an approval giving effect to a regulatory condition.

²¹ First Class without and with Recorded Signed For™, Second Class without and with Recorded Signed For™, Standard Parcels (above 1kg), Articles for the Blind.

Section 5

Responses to the consultation

- 5.1 We received 832 responses to the consultation. Six were from organisations (Royal Mail, Consumer Focus, CWU, Age UK, RNIB, Soldiers Sailors Airman Royal Marines Commando Association) and 826 from individuals. This section summarises the responses to the consultation and sets out our consideration and assessment of those responses. A full list of non confidential responses can be found at Annex A and these responses are published on our website²².

5.2 *Royal Mail's response*

Royal Mail had some observations on the scope and wording of the draft approval.

a) Mail items included within the proposal

Royal Mail did not consider that it had been clear enough in its application and as a result it believed that the scope of the proposed approval was unintentionally narrower than the scope of the trial approved by Postcomm in its direction of 30 September 2011. The additional items which were included in the trial and which therefore should have been within the scope of Ofcom's approval were 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. Royal Mail suggested excluding from the scope of the approval those inbound international items which do require a signature. This should avoid the risk of postmen / women failing to identify a difference between incoming international mail that is registered and insured, and which should be treated in the same way as Royal Mail Special Delivery i.e. returned to delivery office rather than given to a neighbour, and ordinary signed for mail i.e. equivalent to Royal Mail's Recorded Signed For service which included in the delivery to neighbour.

It believed that consumers would benefit if it could deliver items from overseas which do not require a signature on delivery Royal Mail did not identify a significant reason to treat these packets differently from domestic packets sent using first and second class post. It believed that other carriers deliver international inbound items to neighbours, and is of the opinion that it would not be objectively justifiable to exclude these items from the scope of the approval, as it would leave Royal Mail at a disadvantage compared to its competitors.

b) The wording of the draft approval

Royal Mail agreed that the proposed wording of the Notification and Schedule included at Annex 4 of the consultation document could achieve the stated aims (subject to the inclusion of international inbound items). However it believed that alternative wording would provide greater regulatory certainty and prevent unnecessary future work to amend the approval. It said that under the Order and DUSP Conditions 1.6 and 1.7, the universal service is described in terms of its characteristics or core features, rather than by using the names of particular services

²² <http://stakeholders.ofcom.org.uk/consultations/royal-mail-delivery-neighbour/?showResponses=true>

offered by Royal Mail and therefore framing the approval in these terms would be more consistent with this approach.

Royal Mail said that if the approval were drafted in this way, delivery to neighbour would continue to be permitted for the relevant services whereas if the approval were to refer to the specific product names of Royal Mail services, the delivery to neighbour service would require a further application to Ofcom to align service descriptions with the Order.

It suggested that paragraph 2 of the Schedule to the Notification should be redrafted 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.

Ofcom Analysis

a) Scope

We have not identified a reason to treat international items which do not require a signature differently to the other products to be included with the delivery to neighbour service such as first and second class stamped mail. Royal Mail proposes to treat all international mail which needs a signature in the same way as its own Special Delivery service in order to ensure that all insured items are treated in a similar manner i.e. returned to the delivery office if undeliverable. We agree with this approach as insured items are the only items specifically marketed by Royal Mail and other international universal service providers as being suitable for sending intrinsically valuable items. The improved delivery convenience resulting from delivery to neighbour would apply equally to the receipt of comparable items from abroad.

b) Wording

We agree with Royal Mail's suggestion as it follows the approach taken by Ofcom under the Postal Services Order and will ensure consistency in the application of Ofcom's policy decisions on the services required to be provided by Royal Mail as part of the universal service and those which may be included in the delivery to neighbour process. This will provide greater regulatory certainty and will avoid the need for future applications for regulatory approval by Royal Mail and consultation by Ofcom if there are non-material changes made to those services e.g. change of brand name.

5.3 *Consumer Focus response*

Consumer Focus was pleased to see Royal Mail addressing the problem of delivery convenience and had previously supported the trial subject to certain caveats which it outlined in its own research. It continued to urge Royal Mail to explore alternative delivery methods to improve convenience for all consumers. In its response to the consultation, Consumer Focus agreed with Ofcom's analysis that roll-out of the scheme would improve delivery convenience and reduce the number of items returned to the delivery office and thus the number of trips consumers have to make to retrieve these items. It believed that the success of the trial is partly due to the safeguards that were implemented and these help to explain the low numbers of complaints to Royal Mail. It was also pleased that Ofcom has taken account of the recommendations in its research report.

It was pleased that Ofcom recognises the importance of the option to opt out of the service and that Royal Mail will retain liability for undeliverable items until they are received by the addressee. It believed that the products included in the service are appropriate and agreed that national roll out should exclude Special Delivery items.

It agreed that delivery staff should be empowered to use their local knowledge to inform their use of the delivery to neighbour service and that some flexibility to employ the most appropriate solution is likely to be particularly important for vulnerable consumers such as where delivery staff make local arrangements to notify blind or partially sighted recipients of an item's whereabouts.

It supported Ofcom's suggestion of setting key performance indicators ("KPIs") on the percentage of items returned to the delivery office and complaints relating to P739 cards. It suggested improvements to the information contained on the cards. It is pleased that Ofcom intends to monitor the issue of P739s.

However, it noted two areas of concern:

- i) A standard P739 card notifying a recipient that an item had been left at a neighbour's home would not be accessible to a blind or partially sighted person, who might need the notification by another format e.g. phone, large print, Braille. In addition leaving an item with a neighbour further away might be worse in some cases for a blind or partially sighted person than a re-delivery directly to their address on a different day.
- ii) Roll-out of the scheme could have particular local problems for postal consumers in Northern Ireland. Northern Ireland was the only nation of the UK that was not included in the trial of the delivery to neighbour service. In particular, some areas of Belfast and other urban areas of Northern Ireland can be described as segregated with problematic interface and boundary areas. While it accepts that delivery staff on the ground will be aware of visible and invisible boundary issues within these communities, it is a problem that is unique to Northern Ireland and should be explored fully. It suggested a trial prior to any roll-out of the service in the Greater Belfast area. This would help to identify any issues that have particular relevance to consumers in Northern Ireland and would allow key decision makers to take appropriate account of these before a full Northern Ireland-wide roll-out is implemented.

Ofcom analysis

RNIB also raised concerns about how the service would work for blind and partially sighted customers. Our response to this issue is highlighted below at paragraph 5.4.

In relation to potential difficulties with the service in Northern Ireland, Royal Mail has informed us that it has extensive experience of operating in this area which requires additional processes to ensure that the sectarian issues which exist in that area do not impose adverse impacts on customers in relation to the universal service. We have not previously been made aware of any problems with the provision of the postal service in Northern Ireland and therefore have no reason to consider that the company would not handle any roll out of delivery to neighbour in an appropriate and reasonable manner. However, in view of the concerns expressed by Consumer Focus, we consider it would be sensible for Royal Mail to take steps to ensure that any Northern Ireland specific issues are identified as quickly as possible during any roll out in that area and to share that information with Ofcom. Therefore we will ask Royal Mail to carefully monitor roll out in Northern Ireland, and to notify Ofcom of any

Northern Ireland specific issues that arise so that we can take appropriate action as necessary.

5.4 *RNIB response*

The RNIB acknowledged that the service could work well for customers with a disability, including blind and partially sighted customers, as it would reduce the need to travel to delivery offices to collect any items. However, RNIB also raised some questions and concerns in its response.

RNIB wanted some assurances about the way that the new service will be implemented, to ensure that it is suitable for blind and partially sighted customers. It felt that the new service might make it harder for blind and partially sighted people to receive postal items, though if implemented correctly, it could work well. It wanted to understand better how Royal Mail intends to notify blind and partially sighted customers of the whereabouts of an item left at a neighbour's house. A standard print slip through the door would not be accessible to a blind person, who would need the notification by other means such as by phone, large print, Braille.

It noted that there are no central registers of blind and partially sighted people and therefore Royal Mail would need to implement a system which enables blind and partially sighted people to register their notification needs. It suggested that Royal Mail should train staff to ensure that they make arrangements to notify blind and partially sighted customers of an item left at a neighbour's. For example, Royal Mail could have a mobile phone or email address registered with them for each blind or partially sighted customer where an automated email could be sent to the registered phone number or email address of the customer stating where the parcel had been left. Such a system should respect data protection law and privacy considerations.

In addition, Royal Mail could also take special care not to leave the item too far away from blind or partially sighted recipients; call the addressee's phone number to notify them of the location of the item after delivery to a neighbour; use Braille / large print cards to notify blind / partially sighted customers of a delivery to their neighbour; keep a list of the accessible format needs of customers within each walk so as to deliver a "left at neighbour" card in a format the customer can read; or make provision for a blind/partially sighted user to indicate which neighbour could receive the item for them.

It was of the view that letting individual postmen and women identify how to notify blind customers of an item left with a neighbour risks an inconsistent service and in urban areas staff would not have sufficient local knowledge of those in need of attention. In addition RNIB has anecdotal evidence that due to the pressure of staff cuts, Royal Mail staff sometimes do not leave enough time for a blind person to get to the door or leave the necessary information.

RNIB questioned the distance at which an item could be deposited from the door of the addressee and whether the service will make provision for a blind person to indicate which neighbour(s) their item could be left with. A further question it had was whether there is any scope for exempting Articles for the Blind from the service, if the service were to go ahead.

Ofcom analysis:

We asked Royal Mail to address the issues raised by RNIB and to report back to us on how it intends to ensure that the service works for blind and partially sighted customers. Royal Mail said that it has extensive experience of delivering mail to blind and partially sighted customers and will make available copies of any publicity regarding the scheme in audio and large print. It already has procedures in place to minimise adverse impacts of deliveries on such customers including the use of walk logs which identify to delivery staff the addresses of blind and partially sighted customers. We have not previously been made aware of any shortcomings in relation to specific arrangements which Royal Mail has in place for blind and partially sighted customers in either the trial areas or elsewhere in the UK and therefore have no reason to consider that the company would not handle any roll out of delivery to neighbour in an appropriate and reasonable manner. We consider that it is important to note that one of the principal issues highlighted by the RNIB – the usefulness of written cards telling the addressee that an item has been given to a neighbour-already exists in relation to P739 “while you were out” cards left by postmen when items are currently undeliverable. We are not aware of any incidences where this has resulted in problems for blind customers that have not been resolved on a local basis. In view of the above considerations, particularly Royal Mail’s commitment to take steps to ensure blind and partially sighted customers are suitably made aware of the process and their right to opt out if they prefer to have undeliverable items sent back to the delivery office, we consider that the particular needs of blind and partially sighted people are likely to be met by Royal Mail if the service is implemented on a national basis. We note the RNIB’s suggestion that it might be appropriate for “Articles for the Blind” items to be excluded from delivery to neighbour although RNIB does not say why those items should be treated differently to other undeliverable items addressed to a blind customer. We will ask Royal Mail to contact the RNIB to discuss any delivery to neighbour specific issues in relation to the treatment of “Articles for the Blind”, and report back to us.

5.5 Age UK response

Age UK supports the proposal to roll out the service on a nationwide basis, welcomes improved convenience for customers in receiving parcels and recognises that Royal Mail needs to be able to compete on a level playing field with other providers. It also stresses the importance of the universal service to older people and says that the service should reduce parcel delivery costs as well as being more convenient for consumers. It also welcomes the ability to opt out and that Royal Mail will retain liability for items left with neighbours. However, it is concerned at the low level of awareness of the trial and that having to apply for a sticker could be a barrier for some people. It therefore suggested a sticker should be contained in the information leaflet Royal Mail is intending to send out.

Ofcom analysis:

We acknowledge Age UK’s support for the proposal and its concerns. The low awareness of the trial was also highlighted in Consumer Focus’s report. In this context we note that Royal Mail is in the process of delivering a leaflet to each household in the UK to publicise the potential roll out of the service, subject to Ofcom’s approval, and the option to opt out. Opt out stickers are available from Royal Mail either online or via telephone. In view of the low opt out rate experienced in the trial area (0.59% of addresses) it would seem likely that the inclusion of a sticker in every leaflet would be wasteful. However, we recognise that some customers may not have access to the internet or a telephone and we will ask Royal

Mail to ensure that customers can also request stickers directly from their delivery person if they wish.

5.6 *CWU response*

The CWU welcomed Ofcom's proposal to approve the service. It stressed that Royal Mail is the only postal delivery company currently not permitted to deliver to a neighbour. The CWU says that it is important to ensure a level playing field in the way that delivery services are regulated given the likelihood of end to end competition developing in the market. The CWU stressed that Ofcom needs to prioritise the survival of the universal service. The CWU also noted the high levels of satisfaction with the trial and supported the importance of safeguards being in place for national roll out with Royal Mail retaining liability for mail until received by the addressee and the ability to opt out.

The CWU noted that there were no reports in the trial from delivery staff of additional time being taken in conducting delivery tasks and there were no additional delivery costs incurred. However, it considered that where a postman/woman leaves a packet with a neighbour, there is clearly extra time involved and a greater distance being covered on a delivery route. It stressed the need for Ofcom to be aware that the service does involve the potential for a greater workload as there is at least one additional address to visit and a card to be filled out. It said that Ofcom needs to recognise the physical demands placed on staff.

Ofcom analysis:

We acknowledge the CWU support for the proposal. Royal Mail's report on the trial identified no evidence of additional costs or extra time taken to complete deliveries leading to delivery staff failing to complete their walks. Any issues with workload would be an operational matter for Royal Mail to factor into postal rounds and what it expects its staff to be able to do in the time allocated to them. Ofcom would expect Royal Mail to take appropriate steps to ensure that the introduction of delivery to neighbour does not lead to any failure to comply with its current performance obligation of completing 99.9% of delivery walks each day (DUSP 1.4.1 and 1.4.2).

5.7 *Soldier Sailor Airman Royal Marines Commando Association response*

The Soldier Sailor Airman Royal Marines Commando Association sent an e-petition of 3756 members opposing the service. The Association proposed that there should be an opt in rather than an opt out. It also highlighted an occasion where it had complained to Royal Mail about a recorded and Special Delivery item which had gone missing. It was also concerned that thousands of elderly veterans might not be in a position to recover mail not handed over by neighbours and that Royal Mail would take no responsibility where items went astray. It also raised concerns over people interfering with personal mail and Article 8 of the European Convention on Human Rights ("the Convention") which provides for the right to respect for a person's correspondence.

Ofcom analysis

The petition was supported by the evidence about the loss of a Special Delivery Next Day item (which will not be subject to delivery to neighbour) and a recorded signed for item containing cash. These incidents were not related to the trial area or to the delivery to neighbour process. We note the concern regarding elderly veterans but consider that the ability to opt out on the part of such customers should be sufficient

to avoid the problems foreseen by the Association. Royal Mail's liability for items of mail and its obligations regarding mail integrity (Essential Condition 1) are identical regardless of whether the item is delivered directly to the addressee or a neighbour (please see paragraph 5.7.6 below).

Ofcom is a public authority within the meaning of section 6 of the Human Rights Act 1998. It is therefore required to interpret its statutory obligations, and act, in a way that is compatible with rights under the Convention. We do not consider that the implementation of the delivery to neighbour service represents an interference with an individual's rights under Article 8 of the Convention. An individual is able to opt out of the service and section 84 of the Postal Services Act 2000 already makes it a criminal offence for anyone to open a postal packet during its transmission in the post. Royal Mail treats complaints and claims for compensation regarding items delivered to neighbours in the same way as any other items sent through the post.

Individual responses

We received 826 individual responses. 43 were in favour of the service and 744 were against. 35 were in favour if there was the right to opt in rather than out and 4 were neutral. We outline below a summary of the main issues raised and our consideration of the issues. The foremost concerns were regarding having to use stickers to opt out of the scheme and the requirement to opt out rather than in.

5.7.1 Use of stickers for opting out

339 respondents were against the use of stickers for opting out. Concerns raised included:

- Resentment against defacing private property with stickers seen as unsightly.
- Residents in communal flats/listed buildings not permitted to put stickers on doors.
- Causing offence to neighbours by advertising non-participation; highlighting to neighbours that they are not trusted; and causing further problems amongst feuding neighbours with potential for violence. One respondent said that it was a case of private opinions being made public knowledge.
- Harassment of vulnerable customers for displaying stickers including fear of violent reprisals. Some may be "bullied" into not displaying stickers.
- Stickers could easily be removed or damaged.
- Security issues – Stickers identify that a resident may not be at home.
- Postal staff may ignore stickers.

Ofcom response

We recognise that some householders may have concerns about use of opt out stickers for aesthetic reasons. We will ask Royal Mail to investigate the use of alternatives to the opt out sticker in the future, for example by

enabling postmen to identify an address as an opt out electronically from the Personal Data Assistants (“PDAs”) that all postmen are intended to be issued with over the next couple of years or by other non or less visible means.

We appreciate that placing stickers on rented properties is an issue and suggest that residents should draw restrictions to the attention of their postman. We would suggest that Royal Mail deals with this in its guidance. While the absence of a sticker may result in some items being incorrectly delivered to neighbours, effective communication between residents and Royal Mail should help to limit the extent of such problems.

Ofcom notes and understands the concerns of some customers, including vulnerable customers, that displaying a sticker may cause friction with neighbours or even result in harassment. Whilst the trial did not produce any evidence to support this concern, we note that the trial included only a low incidence of opt out and problems could come up in a national roll out. We also note that the text contained in Royal Mail’s sticker “*please return items you can’t deliver to the delivery office*” is neutral in tone and makes no reference to not delivering items to neighbours. If customers consider that they will be at risk from displaying a sticker they should inform Royal Mail (contact can be made with their postman / woman, local delivery office or Royal Mail Customer Services) and we expect Royal Mail to deal with this in its guidance for delivery staff. If any consumer experiences harassment as a result of displaying a sticker they should notify Royal Mail and the police.

In the event that stickers are removed or damaged, customers will be able to request replacements. If stickers are removed against the wishes of the customer they should alert Royal Mail to this fact and Royal Mail should make use of this information when applying its discretion on delivering items to neighbours in that particular case.

Ofcom is not aware of evidence from the trial that supports the concern that a sticker identifies that a person is not at home. It should be noted that the sticker will be permanently attached to the address regardless of whether or not the resident is at home.

Ofcom notes the concern about delivery staff complying with Royal Mail’s own guidance. We consider that, as with all operational aspects of its business, Royal Mail is responsible for ensuring that delivery staff carry out delivery to neighbour in accordance with their training and any guidance is issued in the same way as any other part of their duties. If customers identify this as a problem they should submit a complaint to Royal Mail in accordance with its usual complaint procedures.

The table below sets out the current number of opt out requests received following the distribution of Royal Mail’s leaflet to every household across the UK²³. This is a slightly lower level than Royal Mail had forecast at this point.

²³ As at 11 September 2012.

Number of leaflets reported as delivered	Number of opt out requests received	Opt out %
26,025,652	99,641	0.38

As noted above, we will ask Royal Mail to investigate the use of alternatives to the opt out sticker in the future e.g. enabling postmen to identify an address that has opted out of the service electronically from the PDAs that all postmen are intended to be issued with over the next couple of years. In view of the low numbers of opt outs to date we consider it unlikely that the costs of devising an alternative solution, whether technical or manual, would be unduly onerous. However, we do not consider that it is necessary to impose a deadline by which any such solution should be devised. As with all aspects of the service it provides Royal Mail should constantly review ways in which it can enhance the experience of its customers and the effectiveness of its operation.

5.7.2 *Choosing to opt in v having to opt out*

307 respondents were against the option of having to opt out rather than choosing to opt in to the service. 17 respondents suggested that rather than opting out, Royal Mail should operate a confidential database with addresses of those wishing to opt in. There were also suggestions that Royal Mail could use PDAs to record who wished mail to be left with neighbours.

Concerns included:

- It should be a personal choice whether to opt in to the scheme rather than being forced to opt out.
- It is against an individual's human rights. Royal Mail has an obligation to deliver to an addressee and mail should not be delivered to alternative addresses without a customer's consent.

Ofcom response

We note these concerns, however, we believe that the evidence of the trial indicates a high level of acceptability of the process in practice. We consider that in view of the small number of customers in the trial areas who requested an opt out sticker and the benefits identified for the majority of customers, an opt out option is both cost effective and easy to administer since the results of the trial suggest that many more people would be likely to want to experience the benefits of delivery to neighbour than those who wish to opt out.

Legal issues

Respondents raised legal questions such as whether approval of the scheme was a matter for primary legislation and whether it was in breach of data protection, disability discrimination, human rights and money laundering legislation. One respondent highlighted that a sticker which is visible to everyone constitutes a serious breach of privacy and may be contrary to the right to respect for private life under Article 8 of the

Convention.

Ofcom response

The legal framework under which an approval of the delivery to neighbour scheme would be implemented is at Section 3. The approval would be granted under paragraph 4(3) of Schedule 6 of the Postal Services Act 2011, and does not require primary legislation. We note that Royal Mail would need to ensure that it complies with its obligations under the Data Protection Act 1998 when a person requests a sticker to opt out of the service. Having carefully considered the issues concerning disabled people under our equality impact assessment²⁴, we are satisfied that the service would not cause discrimination. Finally, we do not consider that the implementation of a scheme requiring people who opt out of it to display a sticker on their premises is a breach of Article 8 of the Convention.

5.7.3 *Royal Mail's definition of neighbour*

49 respondents expressed concern about how Royal Mail defined a neighbour and who their items would be left with. Concerns included that:

- It is not clear whether the scheme applies to next door neighbours or those further away. For example, if an immediate neighbour was not in, would postal staff deliver to people those further away than the adjacent address.
- Some respondents lived a distance from their nearest neighbours and would have to travel a distance to collect items.
- Residents in flats were concerned that items could be delivered to any flat within a block.

Ofcom response

The decision as to which 'neighbour' would be suitable is at the discretion of the Royal Mail employee who would be given guidance on how to identify a neighbour as part of their Royal Mail training. Royal Mail considers a neighbour 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. Based on the positive results of the trial where this issue did not create problems, we do not expect the choice of neighbour to be an issue giving rise to significant problems in a national roll out. We expect Royal Mail to monitor and respond to any individual complaints about this, and to keep its guidance and operations under review to minimise problems.

5.7.4 *Ability to choose a neighbour*

Many respondents would be more in favour of the scheme if they were able to nominate which neighbour their post could be delivered to.

²⁴ Please see section 7.

Ofcom response

This suggestion depends on the nominated neighbour being identified by the postman either via a register maintained by Royal Mail or via information displayed at the addressee's premises, for example on a new delivery to nominated neighbour sticker. Ofcom will ask Royal Mail to consider the practicalities of implementing such a suggestion.

5.7.5 Time sensitive documents

There was concern over the receipt of time sensitive documents. A neighbour may go on holiday or be away from home for long periods of time, having taken receipt of an item.

Ofcom response

If individuals are concerned about receiving important timely documents that may need a signature, they would need to consider opting out of the scheme to ensure direct delivery. However, some customers may receive an item quicker if it was delivered to a neighbour than having to travel to a delivery office to collect the item. On balance, we believe that concerns about receipt of time sensitive documents is not a reason to prevent or delay national roll out of delivery to neighbour.

5.7.6 Security concerns

A number of respondents raised concerns about security issues. These included concerns about fraud, theft, confidential items being left with neighbours and that there should be exemptions for items marked private.

Ofcom response

Under Annex 13 to Essential Condition 1 of Royal Mail's regulatory conditions²⁵, Royal Mail must comply with a Code of Practice ("the Code") covering the protection of the integrity of mail. This would include any items delivered to a neighbour. The purpose of the Code is to achieve the following objectives:

- (a) minimising the exposure of code postal packets to risk of loss, theft, damage and/or interference; and
- (b) maintaining and improving regulated postal operators' performance in respect of the matters referred to above.

Disciplinary action can be taken against employees who breach the Code.

Contraventions of Essential Condition 1 and the Code can lead to enforcement action by Ofcom. Royal Mail's obligations under the Code apply equally to items delivered to neighbours as to items delivered directly to addressees. Individual cases of fraud/theft by members of the public are criminal matters for the police and courts to deal with. If individuals are concerned about their neighbours they may opt out of the service.

²⁵ <http://stakeholders.ofcom.org.uk/binaries/consultations/review-of-regulatory-conditions/statement/annex13.pdf>

5.7.7 *Risks to vulnerable customers*

Concerns were raised regarding vulnerable customers:

- Customers such as the elderly, disabled and women alone would have to collect post from strangers or have strangers knock on their door to collect their post.
- Elderly/disabled customers would have to travel a long way to retrieve their post or the neighbour's property may not be accessible.
- Vulnerable people may be caused anxiety by taking responsibility for others post.
- Elderly people who were more likely to be at home during the day may be disturbed more often and/or feel obliged to take in post on behalf of working neighbours.

Ofcom response

We understand these concerns, however if customers do not wish to participate in the scheme their first and primary option would be to opt out. Vulnerable and other customers concerned about adverse consequences from displaying an opt out sticker should communicate these concerns to Royal Mail who should use that information accordingly and as far as possible respect their wishes not to deliver to a neighbour. We would also expect Royal Mail's guidance for its employees to cover such customers and for Royal Mail employees to exercise their discretion in a sensible and sensitive manner particularly when dealing with vulnerable customers on their walk. If the Royal Mail employee needs further guidance in dealing with such customers, then they should refer the matter to the delivery office manager. We note that there was no evidence of problems arising from complaints by vulnerable customers during the course of the trial and the subsequent roll out of the delivery to neighbour service in the trial areas to date.

5.7.8 *Clarification on liability for mail that is lost/damaged/delayed*

79 respondents (9.6%) were concerned about liability for lost/damaged/delayed mail as a result of it being delivered to a neighbour and subsequently not reaching the addressee.

Ofcom response

Royal Mail has confirmed that the right to compensation for loss and damage in relation to items delivered as a result of the delivery to neighbour service will remain the same as for items delivered directly to an addressee. It is in the process of making amendments to two of its Postal Schemes; the Inland Letter Postal Scheme and the Inland Parcel Postal Scheme in anticipation of being granted approval for the delivery to neighbour service. Whilst we consider that further amendments to the wording of the schemes would have been desirable (please see our discussion at paragraphs 6.10 to 6.15) we note that it will be consulting on a revised and merged Postal Scheme shortly which will come into effect in November. If customers are concerned about a potential delay due to items being left with a neighbour

they will also have the option to opt out. We therefore consider that this is not an issue that should delay the approval of Royal Mail's application.

5.7.9 *Extra time taken to deliver post*

There were some concerns that mail delivery would take longer.

Ofcom response

Royal Mail's trial did not identify any impact on time taken to deliver the post by postmen. Royal Mail reported that there was no increase in the number of failed walks as a result of delivery to neighbour in the trial areas.

5.7.10 *Postal staff not complying with the rules of the scheme*

78 respondents (9.4%) were concerned that postal staff would ignore opt outs or mis-deliver items.

Ofcom response

We will monitor the level of complaints regarding the delivery to neighbour process e.g. failure to comply with opt out stickers. Royal Mail should investigate such complaints in the same way as it investigates complaints regarding mis-delivery generally. If we identify any problems we may consider whether Ofcom needs to investigate the operation of delivery to neighbour service.

Section 6

Royal Mail's consultation on changes to the postal schemes

Royal Mail's proposals

- 6.1 Postal Schemes²⁶ set out the terms and conditions for postal services for consumers who do not have a contract with Royal Mail. Customers who use stamps to pay for services do so under a Postal Scheme rather than a contract. Under Section 89A of the Postal Services Act 2000, Royal Mail is required to consult before it makes a new Postal Scheme and also notify Ofcom of its intention to make a new Postal Scheme.
- 6.2 In July 2012 Royal Mail published a consultation document – “*Scheme proposals to clarify treatment of postal packets when no one is available to accept them*”- proposing changes to the Inland Letter Postal Scheme (“ILPS”) and the Inland Parcel Postal Scheme (“IPPS”) (the “Schemes”)²⁷. The document set out amendments to the Schemes which Royal Mail said were required in order to make the Schemes relevant to the delivery to neighbour process.
- 6.3 At Annex A of its consultation, Royal Mail set out the amendments to the Schemes to explain what will be done with items that cannot be delivered. In these circumstances Royal Mail will leave a calling card at the delivery address which indicates which of three options have been exercised regarding the attempted delivery. The item will have either been returned to the delivery office; taken to an alternative location, such as a Post Office or delivered to a neighbour.
- 6.4 Royal Mail proposed adding definitions of ‘Neighbour’ and ‘Nominated Person’ and amending Part 1, section 1 of both Schemes. The Annex also set out the text that would fully replace Part 2, Section 8 of the ILPS entitled ‘undeliverable and re-posted letters’ and Section 15 of the IPPS entitled ‘undeliverable postal packets’.
- 6.5 On 17 August 2012, Royal Mail published a decision document²⁸ on the changes to the Schemes which took into account comments made by Consumer Focus. Royal Mail’s decision document states that the amended Schemes will come into force if Ofcom grants approval of its delivery to neighbour application.

Consumer Focus’s response

- 6.6 In August, Consumer Focus published a response to Royal Mail’s consultation on changes to the Schemes²⁹.
- 6.7 Consumer Focus said that it is vital that the Schemes fully reflect the important safeguards for the roll-out of delivery to neighbour service (recognised by Ofcom as an important safeguard and confirmed for inclusion by Royal Mail in their application to Ofcom). Consumer Focus welcomed the national roll-out but had concerns that the proposed content of the Schemes did not address necessary consumer safeguards. Consumer Focus believed that the revised Schemes must:

²⁶ <http://www.royalmail.com/customer-service/terms-and-conditions/non-contract-terms-and-conditions>

²⁷ http://www.royalmail.com/sites/default/files/DeliverytoNeighbour_SchemeProposals_July2012.pdf

²⁸ http://www.royalmail.com/sites/default/files/SchemeDecision_DeliverytoNeighbour_Aug2012.pdf

²⁹ <http://www.royalmail.com/sites/default/files/ConsumerFocusResponse.pdf>

- explicitly include the ability of consumers to opt out of the service by reasonable means, which may include the display of an opt out sticker in a prominent place at their address e.g. on or near their letterbox;
- provide an adequate definition of a ‘neighbour’ which at a minimum reflects the need for delivery officers to consider the suitability of the person in choosing an appropriate person in close proximity to the addressee; and
- ensure that liability to pay compensation for lost and/or damaged mail remains with Royal Mail until the point at which the addressee received the item, notwithstanding that items are delivered to a neighbour.

6.8 Consumer Focus identified the specific sections of the Schemes where greater clarity was required and suggested amendments.

Ofcom's analysis and response

- 6.9 Ofcom agrees with Consumer Focus’s response that the Schemes must include the ability for consumers to opt out of the service and the fact that liability for compensation for lost/damaged items remain with Royal Mail. We also support the need to clarify the definition of neighbour.
- 6.10 In its statement Royal Mail has taken on board most of the suggestions made by Consumer Focus on changes to the Schemes but not certain suggestions to amend specific clauses in the ‘liability’ sections of the Schemes. Whilst the ‘liability’ sections of the Schemes state that Royal Mail accepts liability for loss or damage to inland letters (ILPS) and inland postal packets (IPPS), the exclusions in these sections contain wording which may suggest that items left with neighbours would fall within its terms. For example, Section 50.1 of the ILPS states:

*“Royal Mail does not accept liability, and will not pay compensation, for the Loss of or Damage to a Letter unless the Loss or Damage is due to any wrongful act done, or any neglect or default committed by an officer, servant or **agent of Royal Mail** while performing or purporting to perform his functions as such in relation to the receipt, carriage, delivery or other dealing with the Letter.”* [emphasis added]

Consumer Focus questioned whether “agent of Royal Mail” would include a neighbour. In addition they have noted Section 50.1.14 which excludes liability in the following circumstance and which could be read to exclude items delivered to a neighbour if the loss or damage is done whilst the item is in a neighbour’s possession:

“where an item in a Letter has not suffered Damage caused solely as a result of its transmission through the post and excluding liability for any pre-existing Damage.”

We agree with Consumer Focus that these clauses as currently drafted could suggest that the compensation policy for loss/damage does not cover items left with neighbours.

- 6.11 Section 50.1 of the ILPS, which lists items excluded from compensation for loss/damage, includes at section 50.1.10:

“circumstances where the event giving rise to the claim was caused by situations outside the control of Royal Mail, including exceptionally severe weather conditions,

acts of terrorism and vandalism and acts of third parties with whom Royal Mail has no contractual relationship”;

As Royal Mail has no contractual relationship with the neighbours it may deliver to, anything done to an item by a recipient's neighbour could fall within this exclusion.

- 6.12 Section 50.3 states:

“Royal Mail does not accept liability and will not pay compensation to the Sender or recipient for the Loss of or Damage to a Letter where the Letter was posted with, or handled by another postal operator or third party, other than when another postal operator has posted the Letter using one of the services listed in section 51.7, in which case that postal operator will be regarded as the sender of the Letter for compensation purposes.”

If a third party could include a neighbour, then this clause would suggest that items covered by the delivery to neighbour scheme could be excluded.

The IPPS contains similar clauses to sections 50.1, 50.1.10 and 50.3 of the ILPS and so our comments in relation to these clauses apply equally to their equivalent sections in the IPPS.

- 6.13 The new ‘converged’ Scheme which Royal Mail proposes to consult upon in September is intended to be a more consumer friendly and less legalistic document and takes the approach that Royal Mail accepts liability and pays compensation for loss and damage to items except in certain cases. It excludes liability for items where they are handled by a third party ‘other than a neighbour who has taken in an item under the delivery to neighbour arrangements’.
- 6.14 In addition section 2.1.1 lists the products which the Scheme would apply to. Whilst the Scheme has been drafted with delivery to neighbour in mind (clause 15.2.1 details the delivery to neighbour service), inbound international items do not fall within the scope of the Scheme. However Royal Mail has confirmed that such items will be treated in the same way as other items included within the delivery to neighbour service.
- 6.15 In view of the concerns expressed by Consumer Focus we contacted Royal Mail and it has confirmed that deliver to neighbour items are indeed covered to the same extent as other items in relation to claims for compensation and complaint handling. We are therefore satisfied that the amended IPPS and ILPS provide suitable protection for customers in relation to the delivery to neighbour process.

Section 7

Ofcom's decision

- 7.1 Royal Mail has asked Ofcom to approve the neighbouring premises of an addressee as a delivery point for the purposes of section 4(c) of the Order and paragraph (c) of DUSP Condition 1.2.2, so that it is permitted in certain circumstances to deliver certain undeliverable items to neighbouring addresses (Royal Mail's delivery to neighbour scheme).
- 7.2 In section 3 we summarised the key features of the legal framework relevant to Ofcom's consideration of this matter, and explained the relevant duties which apply to Ofcom's decision.
- 7.3 In particular, we explained our duty under section 29(1) of the Act which provides that Ofcom must carry out its functions in relation to postal services in a way that it considers will secure the provision of a universal postal service.
- 7.4 Section 29(3) of the Act provides that, in performing our duty under section 29(1), we must have regard to the need for the provision of a universal postal service to be:
 - financially sustainable; and
 - efficient before the end of a reasonable period and for its provision to continue to be efficient at all subsequent times.
- 7.5 Section 3 of the 2003 Act provides that it shall be our principal duty, in carrying out our functions, to further the interests of citizens in relation to communications matters and to further the interests of consumers in relevant markets, where appropriate by promoting competition. This principal duty applies also to functions carried out by us in relation to postal services.
- 7.6 Ofcom has consulted on whether to make the approval which Royal Mail has requested. We have set out in section 4 a summary of our consultation document, and in section 5 we summarise and address the responses that we received to that consultation.
- 7.7 In order to effect a delivery to neighbour scheme, Royal Mail would also need to make changes to certain of its postal schemes. We set out in section 6 details of Royal Mail's consultation on changes to the relevant postal schemes, together with a summary of responses to it and our views thereon.
- 7.8 We set out below our assessment of the relevant considerations in this matter in light of our statutory duties, before setting out our final decision.

The application of Ofcom's Statutory Duties

Royal Mail's provision of a universal postal service

- 7.9 In our consultation document, we noted that Royal Mail is the only major postal delivery company currently not permitted to deliver to a neighbour as part of its standard delivery practice and that its application is part of an ongoing process to

bring its terms and conditions more in line with other delivery companies who are not subject to the same restrictions³⁰.

- 7.10 We considered the findings of the Hooper review of the postal service in 2010³¹ which reported that Royal Mail had continued to lose upstream market share to its competitors and that the packets and parcels market is smaller than the letters market and is much more competitive. The Hooper review also highlights that the use of packet and parcel services as a way of getting goods purchased over the internet or by mail or phone from sellers to buyers (a process called “fulfilment”) has increased and that this method of shopping is likely to continue to increase steadily and, as recipients, customers want more flexibility over when and where products are delivered.
- 7.11 Support for this view can also be found in the research carried out by Consumer Focus³² which highlights that as e-commerce and other mail fulfilment services continue to grow, so will the importance of consumer experiences of parcel delivery. The quality of mail fulfilment will become an increasingly significant aspect of customer service for an increasing number of consumer purchases and therefore service delivery is an important competitive factor.
- 7.12 We therefore considered that Royal Mail would remain at a competitive disadvantage if we did not grant it approval to deliver postal packets to an addressee's neighbour (whilst recognising that this is likely to be a smaller factor in relation to Royal Mail's competitiveness with other operators).
- 7.13 Whilst we have not received any further information from Royal Mail in response to the consultation on any potential operational savings which may accrue from granting approval³³, we consider it is reasonable to assume, in the face of increasing parcel volumes, that reductions in the amount of items returned to delivery offices may have a beneficial impact in the longer term if this reduces the need for Royal Mail to allocate more floor space to hold undelivered items.
- 7.14 We did not receive any responses from other competing postal operators objecting to the proposal or raising concerns about the potential impact of rolling out the service on their businesses.
- 7.15 The CWU did however raise the concern that the service could have an impact on Royal Mail's resources in that it could involve a significant potential for greater workload for delivery staff and increased time on delivery rounds. Royal Mail's report from the trial did not identify any resource implications as a result of the delivery to neighbour process, for example there was no impact in terms of any increase in the number of walks that failed to be completed.

³⁰ For example, TNT states in its terms and conditions of carriage and other services that “you or the receiver of a shipment may give special instructions to us to deliver the shipment to another location/person (being for example a neighbour and/or neighbouring address)”.

³¹ “Saving the Royal Mail's universal postal service in the digital age

<http://www.bis.gov.uk/assets/biscore/business-sectors/docs/s/10-1143-saving-royal-mail-universal-postal-service>

³² <http://www.consumerfocus.org.uk/files/2012/06/Everybody-needs-good-neighbours.pdf>

³³ We noted in the consultation document that the trial brought benefits to Royal Mail in that there were significant improvements to the delivery office environment and feedback from trial offices identified improvements to working practices that resulted in tidier, more organised and safer conditions in which to work.

- 7.16 In light of the above, we consider that approving delivery by Royal Mail to neighbouring addresses of addresses to enable Royal Mail's delivery to neighbour scheme would be consistent with our primary duty in post to secure the provision of a universal postal service.

Interests of citizens and consumers

- 7.17 At paragraph 5.24 of the consultation document, having regard to our principal duty to further the interests of citizens and consumers, we considered that granting the approval would make it easier for customers to receive deliveries if they are not at home during the day and that it would offer customers greater choice in the way that they can choose to receive deliveries and reduce the need to travel to delivery offices to pick up items, plus reduce queuing times in delivery offices.
- 7.18 To support our view we noted the results of Royal Mail's trial that only 7.5% of all sampled packet items were returned to the trial delivery offices as undeliverable with 6.2% being delivered to neighbours, in contrast to 12% of all sampled packet items at the control sites being returned to delivery offices.
- 7.19 We also took into account the findings of the research undertaken by Consumer Focus³⁴ which showed that delivery convenience was improved for those consumers whose undeliverable post was left with a neighbour as part of the trial (please see paragraph 4.5 above). Both recipients and neighbours reported that items were collected quickly and conveniently with no reports of loss or damage. Almost all consumers whose post was left with a neighbour, or who received post on behalf of their neighbours, believed they had benefited from the delivery to neighbour trial.
- 7.20 We note that the majority of individual respondents to the consultation were not in favour of the proposal to grant Royal Mail regulatory approval to deliver items to neighbours. Many of the objections to the proposal were from individuals who did not wish to have to opt out in order to prevent being asked to take deliveries for neighbours or have their post left with their neighbours. The other main stated reason why some respondents opposed delivery to neighbour related to the means by which people would need to opt out – displaying a sticker on their property.
- 7.21 We note these concerns, and have balanced them against the benefits which we have identified which we consider would result from the delivery to neighbour scheme, in particular in the form of increased delivery convenience and the greater flexibility for people in how they receive parcels and items which require a signature, an aspect of Royal Mail's service which we note is becoming increasingly important. We also note that Consumer Focus has responded favourably to the delivery to neighbour scheme and that whilst it initially raised the importance of an opt out, it has not expressed concerns relating to the exercise of the right to opt out.
- 7.22 We continue to consider that there are significant benefits to the recipients of undeliverable items who will be saved time (and possibly money) by not having to visit delivery offices to retrieve their post. We do not consider that the objections raised by respondents on the need to opt out of the service, and the use of a sticker for doing so, outweigh these benefits.
- 7.23 We therefore consider that approving delivery by Royal Mail to neighbouring addresses of addresses to enable Royal Mail's delivery to neighbour scheme would overall be in the interests of citizens and consumers.

³⁴ <http://www.consumerfocus.org.uk/files/2012/06/Everybody-needs-good-neighbours.pdf>

Equality Impact Assessment

- 7.24 We have given careful consideration as to whether the roll out of the delivery to neighbour service nationally would have a particular impact on any particular group within society. If approved, delivery to neighbour will be available to every household on the same terms, with the right to opt out for all. However, there are some potential issues which may affect certain groups.

Disability

- 7.25 We consider that the scheme could work well for customers with a disability, including blind and partially sighted customers, who would not need to travel to delivery offices to collect any items. We understand that there are concerns regarding the accessibility of notification slips to blind people. However, we note that the same issue already exists in relation to P739 “*while you were out*” cards currently left by postmen when items are undeliverable. We are not aware of any incidences where this has resulted in problems for blind customers in the trial areas. Royal Mail has confirmed that it already has arrangements in place specifically to deal with blind customers and that it will ensure that delivery to neighbour is introduced in an appropriate manner for blind customers known to their staff e.g. a “walk log” exists for each postman which identifies vulnerable customers.
- 7.26 We do not consider that the service will have an adverse impact on those with a disability. Royal Mail’s guidance makes clear that the neighbour should be close by and as postmen and women have only a limited amount of time to complete their walks, in practice it will not be practical for them to approach more distant neighbours without risking failing their walk.

Religious belief/political opinion (Northern Ireland)

- 7.27 We understand that there are sensitivities relating to segregation and boundary issues in Northern Ireland which we have raised with Royal Mail. It confirmed that it already has Northern Ireland specific delivery guidance dealing with local issues and that this will be relevant in the case of the delivery to neighbour service. However, as discussed at section 5, in view of the concerns expressed by Consumer Focus, we consider it would be sensible for Royal Mail to take steps to ensure that any Northern Ireland specific issues are identified as quickly as possible during any roll out in that area and to share that information with Ofcom. Therefore we will ask Royal Mail to carefully monitor roll out in Northern Ireland, and to notify Ofcom of any Northern Ireland specific issues that arise.

Age

- 7.28 We consider that the service would benefit the elderly who would not need to travel to a delivery office to collect items. Older people may be disadvantaged if the postman leaves an item with a neighbour who is not very close in distance to the addressee or whose location is difficult to access for an older person. However postmen would be dis-incentivised to leave items far away because they only have a limited amount of time in which to complete their rounds. This means that if they do not identify an immediate neighbour as being available to accept an item they are likely to need to retain the item and move on to the next address on their round or risk over running or failing to complete. We consider that Royal Mail’s guidance on the service needs to include advice regarding how to deal with elderly customers noted above.

- 7.29 We are also not aware of any evidence from the trial areas that older people have experienced particular problems and note that if they do not wish to take deliveries they may opt out. Therefore we do not consider that the service will have an adverse impact on the elderly.
- 7.30 We note Consumer Focus's research finding that younger people may be less likely to feel confident about relying on neighbours to accept items on their behalf (for example they are more likely to live in short term rented accommodation and therefore less likely to know their neighbours) but consider that this does not imply that addressees generally should not be able to take advantage of the delivery to neighbour option. In any event those addressees who choose to opt out of the process will be no worse off than they are currently.

Sex

- 7.31 Some women have expressed concerns about knocking on strangers' doors or taking in parcels for neighbours they do not know. Anybody, male or female who has concerns about receiving/collecting post from strangers has the option to opt out. In cases where such individuals are concerned about the implications of displaying a sticker they should make their situation known to their postman.

Application of the specific legal tests that any approval made pursuant to Schedule 6 of the Act must meet

- 7.32 We set out in section 3 the specific legal tests that any approval made pursuant to Schedule 6 of the Act must meet.
- 7.33 We consider that approving the neighbouring premises of an addressee as a delivery point for the purposes of section 4(c) of the Order and paragraph (c) of DUSP Condition 1.2.2, to allow Royal Mail to deliver certain postal packets³⁵ to an addressee's neighbour when the addressee is not present at the destination address would be:
- **objectively justifiable** because it would place Royal Mail on a level playing field with its competitors and offer customers greater choice in terms of the delivery of items;
 - **not unduly discriminatory** because the delivery to neighbour service would be available to every household in the UK on equal terms;
 - **proportionate** because customers would have the option to opt out of the service if they do not wish undelivered items to be left with a neighbour, or if they do not wish to receive items on a neighbours behalf. In addition Royal Mail will remain liable for loss of, and damage to, undelivered items;
 - **transparent** because Ofcom has publicly consulted on Royal Mail's application and Royal Mail has contacted every household in the UK in advance of any roll out to inform them of the nature of the delivery to neighbour service and the right to opt out of the scheme.

³⁵ First Class without and with Recorded Signed For™, Second Class without and with Recorded Signed For™, Standard Parcels (above 1kg), Articles for the Blind, International (non-Signed For).

7.34 Therefore we consider that granting the approval satisfies the statutory criteria at paragraph 4(2) of Schedule 6 of the Act for granting an approval giving effect to a regulatory condition.

Decision

- 7.35 Having taken into account all of the representations made to us, and in light of our statutory duties, for the reasons set out in this statement Ofcom has decided to approve the neighbouring premises of an addressee as a delivery point for the purposes of section 4(c) of the Order and paragraph (c) of DUSP Condition 1.2.2. A copy of our approval is at Annex 1.
- 7.36 Notwithstanding our decision to grant this approval, we have noted in a number of places in this document matters in relation to which we consider that Royal Mail should take further action to ensure that its delivery to neighbour scheme works effectively, and certain concerns raised with us are appropriately addressed.
- 7.37 We will monitor the implementation of the service closely and ask Royal Mail to monitor the level of complaints received, and provide information on the number of items delivered using the new process in order to identify the effectiveness of delivery to neighbour once it has been rolled out across the UK. If we identify any problems we may consider investigating the operation of the delivery to neighbour service.
- 7.38 It will be important for Royal Mail to monitor the success of the roll out of delivery to neighbour across the UK. During the trial Royal Mail recorded data against a set of KPIs agreed with Postcomm. We will discuss with Royal Mail the nature of any KPIs that should be recorded going forward. Ofcom will also be able to use its formal information gathering powers at any time if we identify any issue associated with the roll out of delivery to neighbour.
- 7.39 In summary, the matters which Royal Mail needs to consider and address are as follows:
- that any issues relating to the roll out of the service in Northern Ireland are identified as quickly as possible and that any problems are notified to us;
 - that the needs of blind or partially sighted recipients are met (including the delivery of Articles to the Blind), in particular by ensuring that they are notified by appropriate means that an item has been left at a neighbour's address and that they are aware of their right to opt out;
 - to discuss these matters further with the RNIB;
 - to investigate the use of alternatives to the opt out sticker in the future; and
 - to develop and implement guidance for employees when delivering items to neighbours (which would include advice on dealing with elderly customers).

Annex 1

Notification of an approval under Designated USP Condition 1.2.2 and paragraph 4(c) of The Postal Services (Universal Postal Service) Order 2012

Notification of an approval under Paragraph 4 of Schedule 6 of the Postal Services Act 2011

BACKGROUND

- A. On 11 July 2012, at Annex 4 to the consultation document entitled “Royal Mail – roll out of Delivery to Neighbour scheme”, OFCOM published a notification in accordance with section 36 of, and paragraph 4(3) of Schedule 6 to, the Act setting out their proposals to approve the neighbouring premises of an addressee as a delivery point for the purposes of paragraph (c) of Designated USP Condition 1.2.2 and section 4(c) of the Order pursuant to their powers in the Act (the “**First Notification**”).
- B. In the First Notification (and the accompanying consultation document) OFCOM invited representations about any of the proposals set out therein by 24 August 2012, which deadline was subsequently extended to 12 September 2012.
- C. By virtue of section 53 of, and paragraph 4(8) of Schedule 6, to the Act OFCOM may give effect, with or without modifications, to a proposal with respect to which they have given a notification only if they-
 - (i) have considered every representation about the proposal that is made to them within the period specified in the notification; and
 - (ii) have had regard to every international obligation of the United Kingdom (if any) which has been notified to them for this purpose by the Secretary of State.
- D. OFCOM received responses to the First Notification and have considered every such representation made to them in respect of the proposals set out in the First Notification (and the accompanying consultation document); and the Secretary of State has not notified OFCOM of any international obligation of the United Kingdom for this purpose.

DECISION

1. OFCOM hereby approve, in accordance with section 36 and 53 of, and paragraph 4 of Schedule 6 to, the Act and pursuant to powers and duties in the Act, for the purposes of both Designated USP Condition 1.2.2 and paragraph 4(c) of the Order, the delivery point specified in the Schedule hereto with effect from 27 September 2012.
2. The effect of, and OFCOM’s reasons for making, this decision are set out in the accompanying explanatory statement.

OFCOM'S DUTIES AND LEGAL TESTS

3. OFCOM are satisfied that this decision satisfies the general test at paragraph 4(2) of Schedule 6 to the Act.
4. In making this decision, OFCOM have considered and acted in accordance with their principal duty in section 29 of the Act and their general duties in section 3 of the Communications Act 2003.

INTERPRETATION

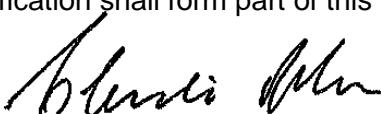
5. Except insofar as the context otherwise requires, words or expressions shall have the meaning assigned to them in this Notification.
6. In this Notification—
 - (a) “Act” means the Postal Services Act 2011;
 - (b) “First Notification” has the meaning given to it in recital (A) above;
 - (c) “Order” means The Postal Services (Universal Postal Service) Order 2012;
 - (d) “Royal Mail” means Royal Mail Group Ltd, whose registered company number in England and Wales is 04138203.
7. For the purpose of interpreting this Notification—
 - (a) headings and titles shall be disregarded;
 - (b) expressions cognate with those referred to in this Notification shall be construed accordingly;
 - (c) the Interpretation Act 1978 shall apply as if this Notification were an Act of Parliament.
8. The Schedule to this Notification shall form part of this Notification.

Signed by: Claudio Pollack

Title: Group Director, Consumer Group

A person authorised by Ofcom under paragraph 18 of the Schedule to the Office of Communications Act 2002.

Date 27 September 2012



Schedule

Approval under Paragraph 4(3) of Schedule 6 of the Postal Services Act 2011 and Designated USP Condition 1.2.2 and paragraph 4(c) of The Postal Services (Universal Postal Service) Order 2012

In this approval-

- (a) "**Order**" means The Postal Services (Universal Postal Service) Order 2012;
- (b) "**universal service provider**" means the postal operator designated by Ofcom as the universal service provider under section 35 of the Postal Services Act 2011;

- (1) **Ofcom hereby approves** the neighbouring premises of an addressee as described in the accompanying explanatory statement as a delivery point for the purposes of paragraph (c) of Designated USP Condition 1.2.2 and section 4(c) of the Order for the delivery of those postal packets listed at paragraph 2.
- (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:
 - Designated USP Condition 1.6.1 (a) (Priority Services);
 - Designated USP Condition 1.6.1 (b) (Standard Services);
 - Designated USP Condition 1.6.1 (e) (i) (Registered service for items weighing more than 10 kilograms);
 - Designated USP Condition 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);
 - Designated USP Condition 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); and
 - Designated USP Condition 1.6.3 (b) (Articles for the Blind).
- (3) This approval shall remain in effect until it is revoked or otherwise replaced.