

**POSTCOMM**  
(THE POSTAL SERVICES COMMISSION)

**POSTAL SERVICES ACT 2000**

SECTIONS 30, 31 AND 32

**NOTICE OF IMPOSITION OF  
FINANCIAL PENALTY**

TO BE PAID BY

**ROYAL MAIL GROUP PLC**

26 APRIL 2006

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**(THE POSTAL SERVICES COMMISSION)**

**POSTAL SERVICES ACT 2000**

**SECTIONS 30, 31 AND 32**

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**ROYAL MAIL GROUP PLC**

**Whereas –**

- (1) Royal Mail Group plc, company number 4138203, having its registered office at 148 Old Street London EC 1V 9HQ (“Royal Mail”) is the holder of a licence (“the Licence”) granted by the Postal Services Commission (“Postcomm”) under section 11 of the Postal Services Act 2000 (“the Act”) on 23 March 2001.
- (2) The Licence was amended on 31 March 2003 and 2 November 2005.
- (3) It is a requirement of paragraph 3(a) of Condition 4 in Schedule 2 to the Licence (“Condition 4(3(a))”) that Royal Mail shall maintain a schedule in writing of the minimum postal services to be provided to users (“the scheduled services”) and of the minimum standards of service to be achieved by Royal Mail in the provision of those services (“the scheduled standards”).
- (4) The scheduled services include two postcode area targets known as “all stamped and metered posted mail” and “intra area mail” respectively (“the postcode area targets”).
- (5) The scheduled standards state target levels for each of the postcode area targets for each of the three years from the end of March 2003 to the end of March 2006. These target levels are set out in the Annex to Condition 4 in Schedule 2 to the Licence.
- (6) It is a requirement of paragraph 6 of Condition 4 in Schedule 2 to the Licence (“Condition 4(6)”) that Royal Mail shall use all reasonable endeavours to provide the scheduled services and meet the scheduled standards.

- (7) In February 2005 Postcomm identified seven postcode areas in respect of which Royal Mail had failed to meet the scheduled standards for the years to the end of March 2002, the end of March 2003, the end of March 2004 and appeared likely to fail the scheduled standards for the year to the end of March 2005.
- (8) Postcomm therefore commenced an investigation into whether Royal Mail had used all reasonable endeavours to meet the scheduled standards in respect of the seven postcode areas referred to in paragraph (7) above.
- (9) On the basis of information obtained in the course of Postcomm's investigation, Postcomm is satisfied that Royal Mail has contravened Condition 4(6) in respect of the year to the end of March 2005.
- (10) On 10 February 2006 Postcomm gave notice of its proposal to impose a financial penalty on Royal Mail in the sum of £271,000.
- (11) Having considered representations received from Royal Mail, Postwatch and the Communication Workers Union regarding the notice referred to in paragraph (10) above, Postcomm is satisfied, for the reasons stated in that notice, that the financial penalty proposed on 10 February 2006 should now be imposed without change in accordance with section 30 of the Act.

**Now therefore, pursuant to section 32 of the Act and having had regard to its statement of policy under section 31 of the Act, Postcomm hereby gives notice as follows –**

1. Postcomm has imposed a financial penalty on Royal Mail.
2. The amount of the penalty is £271,000.
3. The condition which Postcomm is satisfied has been contravened is Condition 4(6).
4. The acts or omissions which Postcomm considers constitute a contravention of this condition are –
  - (a) In respect of the “all stamped and metered posted mail” and the “intra area mail” targets for the South East London postcode for the year to end of March 2005:
    - (i) a failure to resolve the key root cause of performance problems in relation to the SE1 area;
    - (ii) a failure to take effective remedial actions in relation to the SE1 area as set out in Royal Mail's Action Plan Summary Documents

for the year to end March 2005 and Royal Mail's Updated Action Plan Summary Documents; and

(iii) a failure to deploy actions that were subject to audited control standards.

(b) In respect of the "intra area mail" target for the East London postcode for the year to end of March 2005:

(i) a failure to resolve the key root cause of performance problems in relation to mis-sorts;

(ii) a failure to take effective remedial actions in relation to mis-sorts as set out in Royal Mail's Action Plan Summary Documents for the year to end March 2005 and Updated Action Plan Summary Documents; and

(iii) a failure to deploy actions that were subject to audited control standards.

(c) In respect of the "all stamped and metered posted mail" target for the West Central London postcode for the year to end of March 2005:

(i) a failure to resolve the key root cause of performance problems in relation to dispatches;

(ii) a failure to take effective remedial actions in relation to dispatches as set out in Royal Mail's Action Plan Summary Documents for the year to end March 2005 and Updated Action Plan Summary Documents; and

(iii) a failure to deploy actions that were subjected to audited control standards.

5. Other facts which Postcomm considers justify the imposition of a penalty and the amount of the penalty are the facts set out in the Decision Document which accompanies this Notice ("the Decision Document") and Postcomm relies on the totality of the Decision Document and the Report which accompanied the Notice of Proposed Financial Penalty dated 10 February 2006 ("the Report") insofar as facts contained therein are not referred to in this Notice.

6. Postcomm requires the penalty to be paid in one instalment by bankers draft payable to Postcomm at Hercules House, 6 Hercules Road, London SE1 7DB.

7. The date by which the penalty is required to be paid is by 12:00 noon on 14 June 2006.
  
8. This Notice shall be construed in the same manner as the Licence and in the event of any inconsistency between the meaning of terms or expressions used in this Notice and the meaning of terms and expressions used in the Decision Document and the Report the meaning applicable for the purpose of this Notice shall prevail.

The Seal of the Commission  
hereunto affixed is  
authenticated by –

Authorised for that purpose  
by the Commission

Dated 26 April 2006