

**POSTCOMM**



**Review of Royal Mail Group plc  
Price and Service Quality  
Regulation: A Compensation  
Scheme**

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## BACKGROUND

**Condition 4 of the Licence requires that the Royal Mail Group**

**shall -**

- before the expiry of six months from the commencement of this Licence establish a scheme to be known as the “Standards of service compensation scheme”.**
- Compensating users of postal services by failure to meet the quality standards applicable.**

**The Royal Mail Group and Postwatch debated the terms of a compensation scheme during the six months leading to September 2001.**

**Having failed to agree terms they each made submissions to Postcomm.**

**Since then Royal Mail Group and Postwatch have, with the agreement of Postcomm, had further discussions aimed at agreeing the broad framework for a compensation scheme.**

**The compensation scheme proposals document issued in October 2002 for consultation is broadly agreed by Royal Mail Group and Postwatch.**

## PROPOSALS

### Domestic or Retail Service Users

- Compensation proposals for domestic or retail service users covers three areas:

- Delay
- Loss
- Damage

## DELAY

### 1<sup>st</sup> and 2<sup>nd</sup> class mail

- Payment of £3.00 for the first day compensation is payable (5<sup>th</sup> day after posting)
- Refund of postage costs
- Additional payment of £1.00 for each further day of delay (up to a maximum of £14.00 until the postal packet is deemed lost)

### Standard retail parcel

- Payment of £3.00 for the first day compensation is payable (11<sup>th</sup> day after posting)
- Refund of postage costs
- Additional payment of £1.00 for each further day of delay (up to a maximum of £10.00 until the parcel is deemed lost)

## LOSS

- Where a postal packet is deemed lost, compensation will be paid as agreed between Consignia and the sender or recipient of the postal packet.
- The level of compensation payable will be no less than had the postal packet been delivered on the final possible date in which compensation for delay would have been payable.
- The maximum compensation for lost postal packets will be 100 x the cost of a 1<sup>st</sup> class stamp, unless stated in terms and conditions of service provided.

## DAMAGE

- Where a postal packet has been damaged, there will be evidence of that damage, its extent and cause.
- Compensation therefore needs to be agreed on a case by case basis.
- As with lost postal packets, the maximum level of compensation payable will 100 x the cost of a 1<sup>st</sup> class stamp, unless stated in the terms and conditions of service provided.

## BULK MAIL SERVICES

- It is impractical for customers using bulk mail services to make claims for compensation in each individual instance.
- The compensation scheme for delay is therefore different for bulk mail users in that for each service for which, in any year, Consignia's actual percentage of deliveries achieved is less than the target percentage, Consignia shall pay to each sender using that service compensation calculated on the basis of 1% rebate for each 1% by which the target is missed.

## NEXT STEPS

Discussions continue with Royal Mail Group and Postwatch in order to agree what Licence changes are required to bring the compensation scheme into effect.

Additional discussions to take place in order to understand and agree how Royal Mail Group intend to administer the compensation scheme.

These discussions to be concluded prior to end of consultation period. If required, further amendments to the scheme will need to be made to reflect other responses to the consultation, as appropriate.

Revised scheme to be made available in draft form to Royal Mail Group and Postwatch in order to finalise final scheme prior to publication of decision document early in 2003.

Compensation scheme to come into effect as from 1 April 2003.