

**Royal Mail's Compensation Schemes
For Delay and Loss and Damage**

Mail Users' Association

Formal Response

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INTRODUCTION

Who are Mail Users' Association?

1. Mail Users' Association was formed in the 1970's when a number of major business mailers joined forces to fight for the restoration of postal services in the UK at a time of escalating prices and deteriorating quality of service.
2. MUA is the UK's only independent association of business users concerned wholly with commercially related postal matters. Its members are drawn from a wide range of business interests including direct mail, banking and finance, communications and the Utilities, publishing and postal related industries.
3. Collectively, it is estimated MUA members generate more than 15% of annual postal traffic in the UK.

MUA's Objectives

4. MUA's primary objective is to secure a healthy and cost effective set of postal services for all business users and their customers. This not only applies to physical mail, but also includes electronic and hybrid mail areas.
5. Members continue to believe that this will be achieved in a mixed market, offering users a real choice between the obligatory USO services of Royal Mail that exist at present, and a set of competing value added options - particularly for the business mailers.
6. In order to achieve this goal, the MUA believes it necessary to ensure service providers are:
 - customer focused in their approach to the products and services they offer;
 - able to offer cost effective services at realistic prices the market can bear;
 - have flexibility in their approach to customers whose needs are continually changing;
 - and, are able to provide reliable, high quality services on a continual basis.

General Observations on Royal Mail's Existing Schemes

7. In respect of any of the compensation schemes for loss, damage or delay to mail items, MUA would question whether it continues to be appropriate to have subdivisions for which mail items are considered to be of 'intrinsic value', and which items are not. Although there appears to be no a formal definition contained within Postcomm's document, MUA's assumption is that Royal Mail defines items of 'no intrinsic value' to be those which it is allowed to exclude from compensation claims under Section 92 of the Act i.e. that the overall market value does not include:
 - The market value of any message or information which it bears; or
 - Any item that is excluded by a Section 89 scheme.
8. However, MUA would argue that if a sender or recipient of mail is prepared to go out of their way (and at personal cost to themselves) to contact Royal Mail concerning a lost, damaged or delayed item of mail, then that item should be considered to have an 'intrinsic value' to that person (for whatever reason) irrespective of its actual value, and some form of compensation should therefore be due. This is based on the fact that there are very few, if any, occasions when a member of the general public would go out of their way to lodge a legitimate claim for an item of no quantifiable value, were it not in some way of 'intrinsic value' to them i.e. if a person was attempting to make a fraudulent claim, they would surely be claiming for the loss of a valuable item.
9. In cases where the contents of a mail item have a quantifiable and/or are of provable value, then this should be additionally factored into the compensation due. However, members believe all messages or products contained within mail pieces conveyed by Royal Mail should be considered of 'intrinsic value' from the point at which a member of the general public takes it upon themselves to begin a complaint procedure.
10. Members would therefore recommend a full review and broad categorisation of mail items and their respective 'value' to customers (which should include some form of compensation for delay, loss or damage to 'business/personal paperwork'), with a view to publishing clear definitions of what types of mail contents should in future be due compensation.

11. MUA recognises this may require changes to Royal Mail's list of compensation exemptions and therefore changes to Section 92 of the Act, but considers removal of these 'No Intrinsic Value/Intrinsic Value' subdivisions would serve to simplify any future compensation schemes, and go some way to removing the confusion around what is considered an item of 'value' or not.

IN ANSWER TO THE QUESTIONS POSED BY POSTCOMM

Compensation for Loss, Damage and Retail Delay

Postcomm Question

- **What are your views on the differences between the compensation paid and the evidence requirements in the schemes.**

12. MUA considers the 'basic evidence' requirements for 'delay' and 'substantial delay' are appropriate where a claimant makes contact with Royal Mail by telephone. Members also consider the requirements for 'additional evidence' provided in writing for 'delay' and 'substantial delay' are appropriate where a claimant can provide such evidence.
13. MUA considers the inconvenience to customers of 'delay' or 'substantial delay' relating to 1st and 2nd Class stamped and standard parcels should continue to merit a measure of compensation, either with the provision of 'basic evidence' or 'additional evidence'. However, members consider the act of 'delay' or 'serious delay', is less significant than that of 'Loss' and 'Damage' (in cases where the contents of a package have been damaged). Members therefore consider any adjustment in future compensation payable should be achieved by reducing compensation for retail 'delay' and 'substantial delay' in favour of raising compensation for loss and damage.
14. MUA would also like to bring to Postcomm's attention the anomaly that exists between the compensation scheme for delay for metered mail and PPI. As Postcomm is aware metered mail users currently sit in the "retail services" element of the compensation scheme whereas PPI sits within the bulk mail scheme. Royal Mail views standard tariff metered mail users and PPI users as business mailers and both have the same tariffs at standard tariff level. Compensation for delay for metered mail is via stamps and for PPI users via the bulk mail scheme.
15. Clearly metered mail users are at a disadvantage versus PPI users when in reality the major difference is not about the different mail that they send, but about which channel they use to access Royal Mail. In a period when quality of service is low then the different compensation schemes could have an effect on the channel to be used, which clearly is not the role that the compensation scheme is designed to promote and therefore there should be equality between the channels.

Compensation and Evidence Requirements for Loss and Damage

16. MUA considers the 'basic evidence' requirements for loss or damage to an item, where a claimant contacts Royal Mail by telephone should follow (where applicable) the principles laid down in the compensation for delay scheme. Members consider the 'additional evidence' requirements for loss or damage provided in writing should also follow the same principles as the compensation scheme for delay, thereby normalising the requirements necessary to make a claim.

17. Given MUA's previous statement that it considers all mail items should be considered to have an 'intrinsic value' if a complainant has gone to the time and effort of chasing up a claim, members consider it is inappropriate for Royal Mail to decline payment of compensation for Loss or Damage to a mail item where 'additional evidence' is provided. Compensation should be paid commensurate with the full cost of postage, plus the value of its contents. As stated previously, MUA would again suggest a broad categorisation of standard contents is compiled with a scale of fixed compensation payments, and this is enshrined in any new compensation framework.

18. Compensation for damaged mail is another area where MUA believes formal clarification is required in the existing scheme. Members believe that all claims for damaged mail should merit a fixed amount compensation claim.
 - Where a recipient has taken the time (and at their own cost) to contact Royal Mail to complain about damaged packaging caused in transit but with no resulting damage to the package contents, Royal Mail should offer the customer a small fixed amount compensation settlement.

 - However, in cases where a recipient or sender makes contact with Royal Mail to complain about the damaged contents of a package they have sent or received, and in circumstances where it is clear from the indicia on the envelope/package that Royal Mail has been responsible for delivering it, then the carrier should ultimately be responsible for the cost of replacing that article or part thereof, plus a full refund of the postage paid to send that mail item.

Postcomm Question

- **How do you think the inequality between loss and damage and delay compensation payments could be best addressed?**

19. On balance, MUA considers the compensation payments for loss and damaged mail and delayed mail would best be normalised by reducing the compensation payable for 'delay' and 'substantial delay', whilst at the same time raising the compensation payable for loss and damage where 'additional evidence' is provided.

Postcomm Question

- **What are your views on the maximum compensation imposed by Royal Mail's schemes dealing with compensation for loss and damage?**

20. In respect of packages where the sender or recipient can demonstrably prove the cost of the lost or damaged item, MUA considers compensation should be commensurate with the cost of refunding the full postage for the mail item, plus the market value of the item in question or the maximum amount payable under a section 89 scheme.

Postcomm Question

- **What are your views on whether compensation for delay should be payable sooner?**

21. MUA considers the compensation scheme for delay timescales are now out of step with performance figures for Royal Mail's delivery on the ground. The existing compensation for delivery delay criteria were put in place when Royal Mail was seriously under-performing in this area. It is now attaining almost all of its targets, and any new compensation scheme should reflect this.

22. Mail as a medium increasingly has to compete with other forms of electronic media, and a 1st Class business related letter which is over 4 working days late (i.e. delayed) or 10 working days late after its due date of delivery (i.e. substantial delay) in many respects would now be viewed as too little too late. If social senders are to be encouraged to use the postal medium, they require more immediate recourse in their ability

to claim for compensation when the service does not meet their expectations. MUA believes Royal Mail is up to the challenge in terms of

continuing to exceed its performance levels, and in tandem with a lowering of the compensation amount claimable for 'delay' and 'substantial delay', consider this will offer a spur for improved service performance.

23. MUA therefore believes the compensation for delay scheme should be activated if a 1st class mail item is delivered later than two days (or more) after its due date, and in the case of 'substantial delay', 5 days (or more) after its due date. This is based on the fact that a sender pays a premium for a 1st Class service, and should arguably expect an appropriate level of compensatory recourse as a result.
24. MUA would propose to leave the current compensatory timeframes for delay to 2nd Class retail mail as they stand, given that a 2nd class service is exactly that, and is recognised and purchased by the customer as being so.

Postcomm Question

- **What are your views on Royal Mail's use of stamps as a form of compensation?**

25. MUA considers Royal Mail's arguments regarding the excessive administrative costs related to the issuing of cheques for small amounts of money, rather than issuing stamps are unpersuasive. Given that every successful claimant presently receives a book of stamps as minimum compensation, the equivalent administrative costs associated with enveloping, addressing and despatching such mail, in addition to the production costs of producing a book of fraud protected stamps is questionable.
26. Members would argue that the provision of stamps as a form of compensation meets the organisation's own objectives, in terms of this form of payment not having an impact on cash flow, costing Royal Mail less in terms of marginal costs associated with doing so, and also perpetuating continued usage of its services.
27. It is also not seen as appropriate for business mailers that have invested in technology to access Royal Mail via the meter channel, to then be compensated in the form of stamps.
28. MUA understands that historically this form of compensation payment has been appropriate, given that customers have until recently had no other option but to continue sending mail through the monopoly supplier,

but members consider this argument is less and less valid in today's emerging liberalised postal market, particularly when social mailers are also being encouraged to utilise other forms of electronic media to carry out business activities, traditionally done via the postal medium. In short, MUA believes consumers should retain the right to spend compensation due to them in which ever way they see fit.

29. On balance, therefore, MUA considers Royal Mail should be obliged to compensate claimants either through the issuing of cheques or stamps (at the customer's choice), or at the very least via some other form of valid tender which may also be used to purchase the products and services of other parcel carriers, or emerging mail operators.

Postcomm Question

- **What are your views on the nature of the evidence required to support a claim for compensation?**

30. As stated in answer to a previous question, MUA considers it would be appropriate for Postcomm to normalise the present differences between lost and damaged mail compensation schemes in terms of evidence required, by adopting the same principles as those laid down in the compensation scheme for delay.

31. MUA recognises compensation for lost items where the sender is only able to provide 'basic evidence' is extremely hard for Royal Mail to qualify and therefore susceptible to potential fraud. However, were it made mandatory for all senders of mail via Post Office counters to receive a 'certificate of posting', and it be advertised extensively to the general public that certificates of posting would assure them compensation, it would be possible to simplify understanding of the compensation claim procedure, in relation to claims originating from lost items entering the network via Post Office counters.

32. Taking this thinking a stage further, were there to be in place a lost mail compensation scheme whereby it was transparent to customers that Royal Mail would honour all legitimate claims made with additional evidence (i.e. accompanied by a certificate of posting and a written declaration acknowledging a false claim may lead to prosecution),

payable not simply on the basis of a discretionary goodwill payment, but for a fixed amount, it would be possible to make the system more user friendly, whilst at the same time adjusting the mindsets of senders as to what value they actually attribute to any one piece of mail.

33. MUA recognises the circumstances surrounding 'lost in post' claims is made all the more difficult by the fact that senders may have originally introduced mail items via posting boxes, which have subsequently been lost in post, and for which they therefore only have basic 'evidence of posting'. However, in tandem with an extensive advertising campaign advocating the need to provide 'additional evidence' in order to claim compensation, were the system to be set up so that Royal Mail also operated a goodwill system whereby it would compensate a claimant only able to provide 'basic evidence' on a first time only basis, and then only to the extent of a book of 1st class stamps (or equivalent) it would be possible to minimise potential fraud, whilst at the same time educating the general public of the need to gain 'additional evidence' when posting items of value in the future.
34. This exercise would not only encourage senders of mail to more closely assess which items they consider of value (for whatever reason), and therefore which items they should make a point of getting 'additional evidence' from post offices counters for, but it would also serve to potentially decrease the number of compensation claims made, because senders of mail would in future know that if they used pillar boxes for 'valuable items', they would be doing so with the express knowledge that they would not be due compensation were those items to go missing.
35. This 'compensation first time only' system could be achieved by Royal Mail developing/linking a claims database to its existing system. Staff in Royal Mail's claims department would then be able to monitor repeat claims for potentially fraudulent activity, whilst at the same time making clear to any first time claimants that whilst they are eligible for compensation in the first instance, were they to make another claim in the same circumstances they would require additional evidence. This again, would serve to educate the population about what is and is not an important mail item to them, and potentially reduce compensation claims in the future.
36. With this in mind, MUA also believes Royal Mail's Post Office network should have a duty to provide a 'certificate of posting' in every circumstance, and not simply upon request by the sender. Printed on the 'certificate of posting' should be a clear statement explaining its relevance to any future compensation claim, and that senders need to retain the receipt as it may be required to form part of the evidence necessary to make a compensation claim.

37. Members would therefore propose Postcomm includes within its new framework, the mandatory provision of a 'certificate of posting' with all social mail entering the network via counter sales (in the same way as a retail outlet automatically generates a payment receipt for an item purchased), and that it encourages Royal Mail to develop a supporting advertising campaign directed at the general public, with point of sales posters and sales advice from counter staff, in a similar way to PIP implementation.
38. Given the technological advances that have taken place at Post Office Counters over the last few years, new on-counter machines now allow staff to provide printed self adhesive stamps, and MUA would also suggest Postcomm explores the viability of these stamps automatically carrying a unique code which could also be printed on the accompanying 'certificate of posting'. Such an innovation would again drive down any propensity toward fraudulent activity in the future.

Postcomm Question

- **What are your views on Royal Mail refunding the cost of posting?**

39. MUA agrees with Postcomm's opinion that it is appropriate for Royal Mail to refund the postage in circumstances where a customer makes a claim with additional evidence of posting for a damaged mail item. Members also believe it is appropriate for Royal Mail to refund the postage of a lost item of mail, where evidence of posting is supplied, and confirmation of non delivery can be established.

Postcomm Question

- **What are your views on Royal Mail's interpretation of the maximum amount of compensation available?**

40. MUA considers it is appropriate for the current maximum compensation payable under Royal Mail's schemes (£32) to be reviewed, and would suggest an appropriate yardstick would be for Postcomm to establish what year this value came into effect, and then multiply this by the increased cost of living over the resulting period, to arrive at an

appropriate figure for 2007. Members would recommend this equation/multiplier should then be used as a benchmark with which to reassess the maximum compensation payable at reviews in future years.

41. MUA would suggest an equitable solution in the interpretation of what the maximum sum recoverable is in the future, would be to specify that if the market value of the packet at the time the loss or damage arises is lower than the maximum amount payable, both parties compromise by settling on a recoverable sum equidistant between the two amounts, and in cases where the market value of the packet exceeds the maximum amount of compensation payable, only this amount be recoverable.

Postcomm Question

- **What are your views on how market value should be calculated?**

42. MUA considers the key issue in establishing market value in terms of any compensation due, rests in whether the claimant is a sender or recipient of mail. Greater transparency and consistency could therefore be established by addressing this matter at the first point of contact with the claimant, and/or in compensation scheme literature.
43. A two tier compensation claim procedure could then be established, whereby if the claimant is a recipient of mail they are told they are entitled to compensation based on the definition of 'original price' calculated as being 'the cost to a recipient of mail of purchasing, acquiring or producing the original item'. If, on the other hand, they are a sender of mail the definition of 'original price' would be 'the cost to a sender of mail for the purchase, acquisition or one-off reproduction cost, and re-delivery of the original item'.
44. MUA would therefore suggest in order to create transparency around customers' understanding of market value and how it is calculated, it is necessary clearly define Royal Mail's existing definition of 'original price' in a two fold way – for senders of mail, and for recipients of mail – and members would suggest these definitions are enshrined in any new compensation scheme arrangements.

Postcomm Question

- **What are your views on the issue of eligibility for delay compensation for retail customers using the redirections service?**

45. MUA considers Royal Mail's re-directions service is a paid for service, and as such customers should be entitled to claim compensation for service failure on behalf of Royal Mail, albeit with longer periods after which they are eligible to claim, in order to take into account the additional logistics of the redirection process.

Postcomm Question

- **What are your views on users of European international outbound mail not currently being able to claim compensation?**

46. MUA considers Postcomm raises a valid point concerning the introduction of compensation for European international outbound mail – Airmail Europe, as a means of incentivising Royal Mail to put pressure on other operators to improve their own performance.
47. However, members consider this is probably an idea before its time, in respect of the extended timetable for Europe moving to a competitive market, and that were it to be introduced at the present time, it would put undue pressure on Royal Mail at a time when its main focus needs to be on its domestic market. MUA would therefore recommend Postcomm maintains a watching brief on developments in Europe ahead of making any decisions on this matter.

Postcomm Question

- **Postcomm's proposal to review whether complaints information and related material it receives from Royal Mail should be published in a manner that ensures reasonable publicity.**

48. MUA would state that it considers the provision of any market information that will generate useful market signals, and therefore assist businesses in their decision making is to be welcomed.

THE BULK MAIL COMPENSATION SCHEME FOR DELAY – KEY ISSUES

- **What are your views on the continuation of the bulk mail element of the compensation scheme for delay?**

49. MUA believes there remain valid reasons for the continuation of Royal Mail's bulk mail compensation scheme. The success of many UK businesses relies on Royal Mail for the delivery aspects of their own activities, and delay in provision of this service has a consequential impact on their own businesses. For example, firms incur increased costs as their complaint levels rise, and they are obliged to send replacement goods and goodwill tokens at additional cost, to appease customers. In the case of magazine subscriptions, delay can also lead to the permanent loss of a revenue stream through the cancellation of a subscription by a dissatisfied customer, through no fault of the sending magazine publisher.
50. Whilst these additional costs are minimised in circumstances when delivery performance is on target, when targets are not met these costs begin to escalate and MUA considers business customers should have a right to claim compensation (automatically or otherwise) for the service they are not receiving, in an attempt to reduce their own incurred costs.
51. At the present time business mailers are not in a position to switch their final delivery requirements to other operators (other than in a few regional instances), and whilst the development of downstream access arrangements means that Royal Mail may no longer be solely responsible for its performance levels, quite how this should be reflected in terms of who is liable to pay any compensation due, is a matter for separate discussion. However, irrespective of which party is liable to pay the compensation, members continue to believe business mailers have a claim to it, in order to offset their own additional costs incurred.
52. MUA recognises Postcomm's argument that Royal Mail's bulk mail compensation scheme may arguably make its services more attractive to customers, and also that it does not oblige other licensees to have similar schemes in place. However, members' understanding is that the government has recently decided that new compulsory redress schemes will operate in postal services, and that licensees will be obliged in future to belong to a redress scheme that has been approved by Postcomm.
53. Therefore, MUA would suggest until it is clear whether these redress schemes will include elements relating to bulk mail compensation, any valid argument for Royal Mail's existing scheme acting as a barrier to competition may soon be overtaken by changing circumstances.

54. In summation, MUA members therefore consider the bulk mail compensation scheme arrangements should remain in place for the foreseeable future.

Postcomm Question

- **What are your views on what the triggers and exemptions for automatic payment of compensation should be?**

55. MUA considers the outcome of the Judicial Review will determine future exemptions of customers whose accounts are in default of their credit terms without reasonable excuse. Notwithstanding this outcome, however, MUA would argue going forwards that the most appropriate grounds for exemption in this case would be if a customer was not fully up to date with its payments by a single date at which compensation entitlements are determined.

Postcomm Question

- **What are your views on the referral process of the bulk mail element of the compensation scheme for delay?**

56. MUA support's the referral process of the current bulk mail element of the compensation scheme for delay. However, members would suggest it is in the interests of the postal industry as a whole, that Postcomm investigates all referrals concerning potential breaches of Royal Mail's licence with regard compensation. If published anonymously, these investigations could form an important record of precedence for customers in deciding when not to appeal any given Royal Mail decision, thereby avoiding companies using the referral process unnecessarily.

Postcomm Question

- **What are your views on recipients of bulk mail being entitled to claim compensation for delay?**

57. MUA is in agreement with Postcomm that it would not be appropriate for recipients of bulk mail to be entitled to claim compensation for delay, given the administrative difficulties involved in establishing when the item of mail was actually injected into the system, and therefore potential for unjustifiable (though not necessarily fraudulent) claims.

Postcomm Question

- **Postcomm's proposal that it should review whether compensation information it receives from Royal Mail is published in a manner that ensures reasonable publicity.**
58. As stated previously, MUA would fully support the provision of any market information that will generate useful market signals, and therefore assist in business decision making.

FUTURE DEVELOPMENT OF ROYAL MAIL'S COMPENSATION SCHEMES

Postcomm Question

- **What are your views on Postcomm's proposals for the development of a single unified compensation scheme for loss and damage?**
58. MUA fully supports Postcomm in its proposals to develop a single unified compensation scheme for loss and damage, and members would offer their support in working with Postcomm in developing the schemes high level framework, should it be required.

Postcomm Question

- **Do you agree that it is preferable for a new unified compensation scheme for loss and damage to be developed by Royal Mail?**

59. MUA agrees that it is preferable for Royal Mail to develop the new unified compensation scheme for loss and damage, and as a stakeholder looks forward to being part of the consultation process it would assume would be connected to it.

Postcomm Question

- **What are your views on Postcomm's proposed elements of the high level framework of principles for drafting any compensation scheme?**
60. MUA fully supports Postcomm's proposed elements of the high level framework of principles which Royal Mail will have regard to when drafting the new compensation scheme.

ROYAL MAIL'S PROPOSED RETAIL COMPENSATION SCHEMES

Postcomm Question

- **What are your views on Royal Mail's proposed changes to the existing compensation schemes for delay and loss and damage?**
61. In light of MUA's previous comments concerning the pros and cons of Royal Mail's existing schemes, and taking into account Postcomm's proposed course of action regarding the development of a single unified compensation scheme, members see little benefit in commenting further on Royal Mail's future proposals, until such time as the national carrier has had a chance to reassess them against Postcomm's high level framework.