

Review of Consignia plc's Price and Service Quality Regulation: A Compensation Scheme

A Proposals Document

October 2002

Summary

1. Consignia is required, under the terms of its postal Licence, to establish a Standards of Service Compensation Scheme. The purpose of the scheme is to compensate users of Consignia's services for failure by Consignia to meet the standards established for its services under Condition 4 of its Licence. When the Licence was issued it was intended that the scheme was to be in such terms as agreed between Consignia and Postwatch, provided agreement was reached by 26 September 2001; otherwise the Licence provides for the scheme to be in such terms as may be determined by Postcomm.
2. Consignia advised Postcomm on 26 September 2001 that it had been unable to agree the terms of a compensation scheme with Postwatch. However, since then Consignia and Postwatch have, with the agreement of Postcomm, had further discussions in order to attempt to agree a scheme and this is reflected within the broad framework put forward in this document. Postcomm welcomes the willingness of both Consignia and Postwatch to take a flexible and positive approach in this process.
3. There are a number of issues where further discussion is required and this will be completed during the course of this consultation period. These include -
 - o special delivery,
 - o keepsafe,
 - o redirection, and
 - o amount of payment for loss.
4. This proposals document sets out the terms in which Postcomm is minded to determine a compensation scheme.
5. In order to bring into effect some of the proposals for a the compensation scheme there will need to be consequential amendments to Condition 4 and Condition 8 of Consignia's Licence. These as set out in Postcomm's companion document , 'Review of Consignia plc's Pricing and Service Quality Regulation: A Proposals Document'. For ease of reference, the text for Condition 4 and Condition 8 is included at Annex B and Annex C. Postcomm must emphasise

that the companion document makes it clear that the proposals put forward for condition 4 and Condition 8 in *their entirety* have not been agreed by Consignia and Postwatch and that Postcomm will take a view on the revised conditions only when the consultation process has been completed.

6. It should be noted that had Consignia and Postwatch agreed the terms of a compensation scheme by September 2001, the scheme would have been put into effect without wider consultation. Postcomm believes, however, that, as a matter of best practice and in accordance with its Code of Practice for the discharge of its functions, it is appropriate to seek the views of others before making a determination as to the terms of the compensation scheme.
7. The main terms of the compensation scheme put forward by Postcomm for determination are -
 - o it will apply to those services listed in the Annex to Condition 4 and in addition compensation will also be paid in relation to the Keepsafe and Redirection services provided by Consignia,
 - o the key areas of redress are for delay, loss and damage. Claims for compensation can be made by senders or recipients, but not by both,
 - o levels of compensation are intended to be reasonable and to take account of the different classes of products covered by the scheme,
 - o there will be a right of referral to Postwatch in relation to disputed claims,
 - o compensation for delay, loss or damage will not be due for items that are incorrectly addressed, or where delay is outside the control of Consignia (e.g. vandalism, acts of terrorism, extreme weather conditions),
 - o disruption due to industrial action does not preclude the payment of compensation for delay. However, in the event of severe disruption due to industrial action by Consignia's employees, sub-contractors or agents, the application for the compensation scheme will be reviewed by Postcomm, so as to balance customers' expectations of compensation against the need to ensure that Consignia continues to be able to finance its obligation to provide a universal service,

- o the terms of the compensation scheme are a minimum requirement and do not fetter Consignia in any way from exceeding its terms, in relation to the circumstances in which compensation will be paid or the levels of compensation, in individual cases, and
 - o details of the compensation scheme must be published, reports on it must be submitted and the scheme will be reviewed, in accordance with Consignia's licence.
8. The introduction of the scheme will give further effect to meeting the UK's obligations in relation to compensation under the European Postal Services Directive 97/96/EC as amended.

Table of contents

1. Introduction	7
Postcomm and Postwatch.....	7
Postcomm’s statutory duties	7
Purpose of this document	8
How to make representations	8
Contributions to be seen by others	8
2. The background to Postcomm’s determination	9
Consignia’s Licence	9
Discussions between Consignia and Postwatch	9
Legal limitations on the scope of Postcomm’s power of determination.	10
3. Proposed compensation scheme	11
The nature of a compensation scheme.....	11
<u>PART 1 – DOMESTIC OR RETAIL SERVICE USERS</u>	<u>12</u>
The amount of compensation - Delay	12
The amount of compensation – Loss.....	16
The amount of compensation – Damage	17
The amount of compensation – Other services specified in the compensation scheme (Keepsafe and Redirection)	17
Evidence of posting and of delivery	18
Disputed claims	18
Commencement of compensation scheme for domestic users	19
When compensation should not be paid.....	19
<u>PART 2 - BULK MAIL SERVICES.....</u>	<u>20</u>
The amount of compensation	20
Commencement and payment of Bulk Mail Compensation Scheme	21
Reporting and review of the compensation scheme.....	21

4. Costs	22
Analysis of complaint levels and compensation paid	22
Cost of future arrangements – Delay	23
Annex A - Draft Determination of a Standards of Service Compensation Scheme	25
Annex B - Condition 4: Services standards of service and compensation	34
Annex C - Condition 8: Protecting the integrity of mail	44

1. Introduction

Postcomm and Postwatch

- 1.1 The Postal Services Act 2000 (the Act) established the Postal Services Commission (Postcomm) as the independent regulatory body for the postal services industry in the United Kingdom. Postcomm's Business Plan, which can be found on its website at www.psc.gov.uk, gives details of its duties, functions, objectives and work plan.
- 1.2 The Act also established the Consumer Council for Postal Services (Postwatch) as the independent organisation to represent the views of users of postal services.

Postcomm's statutory duties

- 1.3 Postcomm's primary duty is to seek to ensure continued provision of a universal postal service. The universal service consists of the delivery and collection at least once every working day of mail (not exceeding 20 kilograms in weight) and the provision of a registered postal service, all at affordable prices that are uniform throughout the UK. Postcomm has licensed Consignia plc (Consignia) on terms that require Consignia to provide a universal postal service throughout the United Kingdom.
- 1.4 Subject to its universal service duty, Postcomm is charged with furthering the interests of users of postal services wherever appropriate by promoting effective competition between postal operators. In doing so, Postcomm must have regard to the interests of those who are disabled or chronically sick, are of pensionable age, or are on low incomes or who reside in rural areas.
- 1.5 Subject to the duties above, Postcomm has a further duty to exercise its functions in a manner which it considers is best calculated to promote efficiency and economy on the part of postal operators.
- 1.6 Finally, in performing all its functions in relation to holders of licences granted under the Act, Postcomm must have regard to the need to ensure that they are able to finance the activities authorised or required by their licences.
- 1.7 In addition to its duties under the Act, Postcomm also is a national regulatory

authority for the postal sector under the European Postal Services Directive¹. As such it has the task of ensuring compliance with obligations arising from the Directive. These obligations include adopting measures to ensure that procedures are drawn up for dealing with complaints with provisions, where warranted, for a system of reimbursement and compensation.

Purpose of this document

- 1.8 This document contains and explains the draft terms of the compensation scheme that Postcomm is minded to determine shall apply for certain of Consignia's services.

How to make representations

- 1.9 This consultation document has been posted on Postcomm's website and it is open for anyone to make representations on it. Representations may be made to Postcomm by **2 December 2002**. They can be sent by post, electronically or by fax. The address is -

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Postcomm
Hercules House
6 Hercules Road
London
SE1 7DB
Tel: 020 7 593 2124
Fax: 020 7593 2142
E-mail: apillai@psc.gov.uk

Contributions to be seen by others

- 1.10 Postcomm proposes to make public the responses it receives to this consultation document, but will respect any requests for confidentiality. If you do not want all or part of your response to this document to be read by anyone outside Postcomm, please ensure your response clearly indicates which parts are confidential. If you are happy for the substance of your contribution to be made public, but do not want the name of the organisation or the individual who signed it to be revealed, please indicate this by adding the following "Name of organisation/sender NOT to be published".

¹ Directive 97/67/EC as amended by Directive 2002/39/EC
Review of Consignia plc's Price and Service Quality
Regulation: A Compensation Scheme

2. The background to Postcomm's determination

Consignia's Licence

2.1 Consignia is required, under the terms of the licence issued to it on 23 March 2001 (the Licence), to establish a scheme to be known as the Standards of Service Compensation Scheme. Condition 4² of the Licence requires that Consignia 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 for compensating users of postal services affected by failure to meet the quality standards applicable in accordance with the scheduled standards to any postal packet posted by them.”

2.2 The scheduled standards to which such a compensation scheme applies, are based on those listed in the Annex to Condition 4 (see Annex B of this document). In addition, it is proposed that Keepsafe and Redirection services will also be included in the compensation scheme. Inclusion of these additional services will, however, be subject to comments received as part of this consultation process.

Discussions between Consignia and Postwatch

2.3 Consignia 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 as to the terms that they think ought to apply. However, since then Consignia and Postwatch have, with the agreement of Postcomm, had further discussions aimed at agreeing the broad framework for a compensation scheme. Postcomm welcomes the willingness of both Consignia and Postwatch to take a flexible and positive approach in doing this.

2.4 There are, however, issues where further discussion is required and this will be completed during the course of this consultation period. These include -

- o special delivery,

² In this document “Condition 4” refers to the condition numbered 4 in Schedule 2 to the Licence. The words quoted are from paragraph 10 (a) of Condition 4.

- keepsafe,
 - redirection, and
 - amount of payment for loss.
- 2.5 The Licence provides that the compensation scheme is to be in such terms as may be agreed between Consignia and Postwatch, subject to Postcomm introducing the scheme by determination if agreement cannot be reached. As agreement between Consignia and Postwatch was not reached until after the six month requirement of the Licence, it falls to Postcomm to implement the compensation scheme by way of a determination.

Legal limitations on the scope of Postcomm’s power of determination.

- 2.6 Postcomm has to make a determination that is consistent with the requirements of the Licence. Strictly speaking this means that compensation for failure to provide Keepsafe and Redirection services, which are not mentioned in the Annex to Condition 4 may be beyond the scope of Postcomm’s power of determination. However, Consignia has agreed that these services may be considered in a scheme determined by Postcomm. If that agreement is revoked, Postcomm would consider modification to the licence.
- 2.7 In order to bring into effect some of the proposals for a compensation scheme there will need to be consequential amendments to Condition 4 and Condition 8 of Consignia’s Licence. These are set out in Postcomm’s companion document , ‘Review of Consignia plc’s Pricing and Service Quality Regulation: A Proposals Document’. For ease of reference, these conditions, as they may be modified, are set out at Annex B and Annex C.
- 2.8 Postcomm must emphasise that the companion document makes it clear that the proposals put forward for condition 4 and Condition 8 in *their entirety* have not been agreed by Consignia and Postwatch and that Postcomm will take a view on the revised conditions only when the consultation process has been completed. Subject to views received as part of this consultation process, the terms of the Licence and consequently, the compensation scheme, may need to be further amended.

3. Proposed compensation scheme

The nature of a compensation scheme

- 3.1 Postcomm agrees with Consignia and Postwatch that a compensation scheme, on general principles of best practice, should be –
- as clear and simple as possible,
 - well-defined and consistent in its application,
 - prompt and efficient in processing claims,
 - reasonable in its scope, terms and conditions,
 - on terms that are readily available, with changes to the terms given due publicity and made with reasonable notice, and
 - an incentive to Consignia to achieve its quality of service targets.
- 3.2 It would be reasonable for the process to become more complex, for instance in terms of investigation of circumstances, as the value of the claim increases. Similarly it would be reasonable to apply *de minimis* criteria at the low end of claims. More broadly, the scheme should be auditable in terms of its operation and cost, to ensure that it achieves its objectives effectively.
- 3.3 The compensation scheme should also be non-burdensome for the customer, provide adequate redress, and not be trivial or insulting in the recompense it provides. Additionally, Postcomm needs to be satisfied that in determining the terms of a compensation scheme it is acting consistently with its statutory duties. With regard to the universal service Postcomm must be satisfied that the costs of the scheme do not prejudice Consignia's ability to continue its provision of the universal service. Against this Postcomm needs also to consider the incentives provided by the scheme for Consignia to deliver the universal service to an acceptable standard of quality. In relation to furthering the interests of users, Postcomm has no doubt that the interests of users are better served with a reasonable compensation scheme than without such a scheme.

- 3.4 The compensation scheme needs to provide reasonable redress for unsatisfactory service resulting from delay, loss or damage or other failures by Consignia in relation to services specified in the scheme. It should ideally provide for additional compensation where any offer of normal financial compensation might be inappropriate or even insulting (such as extended delay of wedding photographs, exam results or a medical appointment, for example). Consignia and Postwatch have agreed that the interests of postal users, in such instances, are best served by Consignia dealing with them on a case by case basis. In the event of a dispute, postal users will be able to seek the help of Postwatch in reaching a resolution.
- 3.5 The compensation scheme has two main components. The first relates primarily to domestic and small business users of postal services but includes metered mail and special delivery. The second part is designed for those using the bulk mail services provided by Consignia for larger business customers.

PART 1 – DOMESTIC OR RETAIL SERVICE USERS

The amount of compensation - Delay

- 3.6 In addressing compensation for delay, unlike physical loss or damage, it is possible to imagine situations where delay does not cause any quantifiable financial loss (as the letter or parcel will have been delivered). This is particularly the case in relation to postal services where the effects of delay may be different for the sender compared to the recipient of a letter.
- 3.7 Moreover, delay always involves a failure to meet defined service standards. In most cases it is appropriate for compensation for delay to be based on this failure, which suggests it should be related to the length of delay.
- 3.8 Admitting consequential loss would, of course, greatly increase the amounts paid out by Consignia. It would also make the amount paid out much less predictable and controllable. Both Consignia and Postwatch agree that consequential loss should not be included in the compensation scheme. Postcomm supports this view. However, as noted at paragraph 3.4, there does need to be recognition and suitable redress in those cases where the amount required by the compensation scheme would prove particularly inadequate or insulting.

3.9 For many individuals sending and receiving mail, delay is likely to be no more than an irritation. Most individuals would not take the time and effort to complain to Consignia. Where individuals do go to the extent of making a formal complaint, this is likely to be as a result of an ongoing problem with delay or as a result of difficulties arising directly out of the delay. It is Postcomm's view that compensation for delay should, essentially be a payment for inconvenience where individuals have encountered delay. The level of inconvenience payment should reflect the extent of delay.

3.10 It is Postcomm's view that, to be reasonable, levels of compensation for delay should -

- o reflect the severity of the service failure to the customer,
- o take account of the likely financial impact on Consignia, and
- o avoid providing unnecessary incentives to fraud.

Postcomm, having taken account of the proposals put forward by Consignia (although see Consignia's comments at paragraphs 3.14 –3.17 in relation to compensation for Special Delivery services) and Postwatch, proposes the following:

Description of Service	Event	Compensation award
1 st and 2 nd class mail and 3 day standard parcel service	Delay	Payment of £3 for the first day compensation is payable, plus refund of postage costs, plus an additional payment of £1 for each further day of delay until the postal packet is deemed undelivered.
Special Delivery ³	Delay	Refund of fee plus payment of £3 for the first day compensation is payable, plus an additional payment of £1 for each further day of delay until the postal packet is deemed undelivered.

3.11. Depending on the length of delay encountered by individuals, the compensation payable under the scheme for 1st class mail, 2nd class mail, Special Delivery and

³ The due date for Special Delivery is specified in the terms and conditions for this product and will not always provide for next day delivery. The amount of compensation due will, in some cases, therefore differ according to the service specification.

Parcels will be as shown in the table below. The table is based on when the item arrives compared to when it was posted. "Due" shows the day by which the item is due to arrive. "Lost" means that the item will be treated as lost rather than delayed for the purposes of compensation.

Number of working days after item was posted	1 st class mail	Special Delivery	2 nd class mail	Parcels
	£	£	£	£
1	<i>Due</i>	<i>Due</i>	0.00	0.00
2	0.00	3.00	0.00	0.00
3	0.00	4.00	<i>Due</i>	<i>due</i>
4	0.00	5.00	0.00	0.00
5	3.00	6.00	0.00	0.00
6	4.00	7.00	0.00	0.00
7	5.00	8.00	3.00	0.00
8	6.00	9.00	4.00	0.00
9	7.00	10.00	5.00	0.00
10	8.00	11.00	6.00	0.00
11	9.00	12.00	7.00	3.00
12	10.00	13.00	8.00	4.00
13	11.00	14.00	9.00	5.00
14	12.00	15.00	10.00	6.00
15	13.00	16.00	11.00	7.00
16	14.00	17.00	12.00	8.00
17	<i>Lost</i>	<i>Lost</i>	13.00	9.00
18	<i>Lost</i>	<i>Lost</i>	14.00	10.00
19+	<i>Lost</i>	<i>Lost</i>	<i>Lost</i>	<i>Lost</i>

Notes:

Working day (a) in relation to the collection and delivery of letters, any day which is not a Sunday or a public holiday, and

(b) in relation to the collection and delivery of postal packets other than letters, any day which is not a Saturday, a Sunday or a public holiday.

3.12 On the issue of delay for first and second class mail (which also includes metered mail) and standard parcels the views of consultees are welcomed on whether the proposed level of compensation is likely to meet the objectives outlined earlier in this section.

- 3.13 The Special Delivery service provided by Consignia includes both guaranteed express delivery and registered delivery, with a money back guarantee if Consignia fails to meet its advertised service standards. The Special Delivery product is included in the minimum scheduled standards and services of Consignia's Licence because it fulfils Consignia's universal service obligation to provide a registered post service. There is no universal service requirement for a guaranteed express product. Registered postal packets are differentiated by the Licence from ordinary items in terms of compensation for loss and damage via the statutory schemes but not delay.
- 3.14 Consignia has suggested that as a guaranteed express product, Special Delivery operates in a highly competitive market. It currently offers a full refund of the fee (a minimum of £3.65) for failure to deliver by the guaranteed delivery time, with compensation for loss payable if the item has not been delivered ten days after the guaranteed delivery time.
- 3.15 Consignia understands that in other regulated sectors where competition is established, regulators look to the market to provide solutions and not the regulator. As products and services become competitive, regulators remove standards of service rather than add them. Consignia believes that Special Delivery delay compensation is one of the most generous offered on a product of this type; the usual compensation for delay is to refund the difference in fees for the service paid for and the service achieved. Consignia further argues that those customers who are not happy with the delay compensation terms or performance of Special Delivery as a guaranteed express delivery product have alternatives to choose from.
- 3.16 Customers using Special Delivery for the registered service it provides also benefit from the delay compensation paid as part of its guaranteed express specification. In 2001/2, complaints about delay for Special Delivery represented only a fraction of a percent of the items delivered.

- 3.17 Consignia therefore believes that the current compensation scheme for Special Delivery provides more than adequate compensation for delay to this product as a registered service. Consignia does not believe it is appropriate to apply a more punitive compensation scheme for delay to Special Delivery because it also happens to be an express guaranteed delivery product. The financial burden of higher delay compensation may also require a reassessment of the competitive pricing of Special Delivery in the market, against competitors who do not offer such levels of compensation and who are not required to provide the product as part of a universal service.
- 3.18 Postcomm has put forward its proposals on the basis that compensation for delay in relation to Special Delivery services should be paid where the item is a day late (except in those instances where the Special Delivery service does not guarantee a following day delivery, for example to remote islands or where the Special Delivery package is posted on a Friday). Postcomm believes that in providing a service that has a track and trace element, and consequently proof of posting and receipt, but at a higher price for customers, then the compensation payable for delay should be payable sooner than for other items, such as 1st class stamped and metered where such proof may not necessarily exist.
- 3.19 The views of respondents are particularly welcomed on this issue.

The amount of compensation – Loss

- 3.20 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 (unless otherwise stated in the terms and conditions of the service provided) will be 100 x the cost of a first class stamp. An item will be deemed lost if it is lost for the purpose of the amended Licence Condition 8, a copy of which is at Annex C.

- 3.21 Postwatch are of the view that a further £3.00 should be paid once the postal packet is lost. Therefore payment for 1st class would be £17.00 (£14.00 + £3.00) on day seventeen. Although Postwatch believe that delay is a serious problem, a delayed postal packet will, by implication, arrive. However, in the event of loss the postal packet has not arrived. In order to reflect the further seriousness of loss, an additional 'no quibble' £3 should be paid. This payment essentially distinguishes between the compensation paid for delay and loss.
- 3.22 The views of respondents are particularly welcomed on this issue.

The amount of compensation – Damage

- 3.23 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 (unless otherwise stated in the terms and conditions of the service provided) will be 100 x the cost of a first class stamp. An item will be damaged if it is damaged for the purpose of the amended Licence Condition 8, a copy of which is at Annex C.

The amount of compensation – Other services specified in the compensation scheme (Keepsafe and Redirection)

- 3.24 **Keepsafe** – in the event of a postal packet, which should have been kept at the delivery office, being delivered then it is proposed that the customer receives a refund of the cost of the failed service and the same amount again in compensation. However, Consignia argue that it should be no more than the current practice, which is to refund the fee for the service. The current cost of the Keepsafe service ranges from £5.25 to £15.75 depending on the length of time the service is provided.
- 3.25 The views of respondents are particularly welcomed on this issue.
- 3.26 **Redirections** – where there is a failure of the redirection service, it is proposed that customers are compensated on the following basis –

1st Daily failure = 10 first class stamps

2nd daily failure = free extension of the redirection service for one month

3rd daily failure = one month refund of the redirection fee

4th daily failure = refund of balance of fee paid

5th daily failure and beyond = additional compensation to be agreed between Consignia and the customer.

3.27 The proposals here reflect Consignia's current practice for goodwill payments and merely have the effect of formalising the compensation payment.

3.28 The views of respondents are particularly welcomed on this issue.

Evidence of posting and of delivery

3.29 The compensation scheme requires a framework which is neither too onerous on the issue of evidence, nor encourages fraudulent claims based on mere assertion.

3.30 Consignia and Postwatch agree that all claims would need to be supported by some information about the circumstances of service failure. It would be fair to require the claimant to make a formal declaration that the information provided was true and complete, and for Consignia to give warning that a false claim could lead to prosecution for attempting to obtain money by deception.

3.31 Claims for compensation can be made by senders or recipients, but not by both.

Disputed claims

3.32 The compensation scheme needs to have a mechanism for dealing with disputed claims. Consignia has an internal appeal process with a preset timetable for decisions. In addition, paragraph 12(b) of Condition 4 of Consignia's Licence requires Consignia to refer disputed compensation claims to Postwatch, and it would be appropriate for this to occur once the internal appeal mechanism has been exhausted.

3.33 There is no sanction specifically for failure on the part of Consignia to follow a Postwatch recommendation, but Postwatch may make a reference to Postcomm for failure by Consignia to meet its obligations under the scheme, or seek a licence modification, if its recommendations are not followed.

Commencement of compensation scheme for domestic users

3.34 Subject to comments received as a result of this consultation, Postcomm intends that the scheme allowing for compensation claims to be made should come into effect at the same time as the price control mechanism, which is expected to be April 2003.

When compensation should not be paid

3.35 Clearly, compensation for delay, loss or damage should not be paid where the claim is unjustified or fraudulent. In administering a compensation scheme it is therefore right that Consignia has the opportunity of deciding whether a claim should be investigated before payment. Given below are a number of examples (but not an exhaustive list) of where Postcomm believes it is reasonable for compensation not to be paid -

- where payment has already been made for a justified claim,
- where items are delayed or lost as a result of being incorrectly addressed,
- where claims arise from action outside Consignia's control, such as vandalism by third parties, terrorist attack or exceptional weather conditions,
- where customers have agreed alternative arrangements for delivery of mail and the delay is caused by the customer's failure to collect the mail when available or by the nature of the arrangements themselves, and
- where the claim relates to a postal packet posted with another service provider, and
- where the claim relates to a postal packet where postage is unpaid or underpaid.

3.36 Postcomm believes that delay, loss, damage or other failure by Consignia for services specified in the scheme, caused by industrial action by Consignia's staff or agents should not preclude payment of compensation. However, in the event of significant disruption due to industrial action by Consignia's employees, sub-contractors or agents, there will need to be provision for review by Postcomm of compensation arrangements and possibly for the compensation scheme to be suspended in order to alleviate any adverse effect on Consignia's ability to fund

the provision of the universal service.

PART 2 - BULK MAIL SERVICES

The amount of compensation

- 3.37 It is impractical for customers of Consignia's 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 it links levels of compensation to the percentage difference between national quality of service targets and actual performance levels, where the targets were not achieved.
- 3.38 In looking at appropriate levels of compensation for bulk mail users, Postcomm is keen to ensure that it strikes the right balance in taking account of discounts available to bulk users as well as the difficulties faced by any business in seeking to achieve competitive contract terms when dealing with a supplier. The following is the proposal for achieving this as agreed by Consignia and Postwatch and proposed by Postcomm.

Description of Service	Event	Compensation award
Bulk Mail Services	Failure to achieve target percentage	<p>For each service for which, in any year, Consignia's actual percentage of deliveries achieved within the due date is less than the target percentage, Consignia shall pay to each sender using that service the sum calculated in accordance with the formula -</p> $C = Bx\left(\frac{T - A}{100}\right)$ <p>Where -</p> <p>C is the compensation payable by Consignia to that customer in respect of that service in that year,</p> <p>B is the sum of Consignia's billings to that customer for the use of that service in that year,</p> <p>T is the target percentage for that service for that year, and</p>

		A is the actual percentage of deliveries within the due date achieved by Consignia for that service in that year.
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Commencement and payment of Bulk Mail Compensation Scheme

- 3.39 Subject to comments received as a result of this consultation, Postcomm intends that the scheme for Bulk mail users will come in to effect at the same time as the price control mechanism, which is expected to be April 2003.
- 3.40 Compensation payable for delays in bulk mail services will not rely on claims being made by individual users as it shall be paid on an automatic basis by Consignia. This will be no later than the end of the third month after the end of the year to which the minimum target percentages apply.

Reporting and review of the compensation scheme

- 3.41 Postcomm agrees with both Consignia and Postwatch in recognising that it will be difficult to achieve the most workable and effective compensation scheme from the outset. Condition 4, paragraph 16 of Licence sets out the requirement for Consignia to submit annual reports on the operation of the compensation scheme no later than three months from the end of the year to which they relate.
- 3.42 Consignia, Postwatch and Postcomm will need to monitor the compensation scheme closely to ensure that the costs and any difficulties or failings can be considered at an early stage. It would be prudent to prepare quarterly reports (or more frequently) on the operation of the compensation scheme during the first year of operation. The scheme will be formally reviewed at the end of the first year of operation.

4. Costs

- 4.1 Any organisation, in principle, can avoid having to pay significant levels of compensation to dissatisfied customers by providing an efficient and reliable service. The amount of compensation paid should reduce as the services become more efficient and reliable. Consignia paid compensation of £13.2 million in the year 2001/02 for claims relating to loss, damage and delay for letters and parcels. Consignia did not have any formal process for compensating business users for failure to meet service standards. At current complaint levels this compensation scheme is unlikely to significantly increase the levels of compensation previously paid by Consignia for loss and damage or other service failure as, on the whole, these are areas where Consignia has previously paid compensation. It should be noted that the introduction of a minimum payment for loss claims as proposed in paragraph 3.20 would have added up to £7m to 2001 – 2002 compensation payments. The additional £3 payment proposed by Postwatch in paragraph 3.21 would increase to £10m. In any event, the scheme will significantly increase the level of compensation paid to business users for delay, where Consignia has failed to meet service standards.
- 4.2 In fixing ceilings for the total payment possible for any claim and setting the level of payments in such a way as to deter fraud, Postcomm believes it has taken all reasonable steps to ensure the scheme will strike a balance between reasonable redress for customers, and the financial impact on Consignia.

Analysis of complaint levels and compensation paid

- 4.3 In order to quantify the potential liability of Consignia to make payments under a compensation scheme for delay, Consignia has provided costings based on the last financial year 2001/02. These figures do not take into account any additional payments for loss resulting from setting a minimum level of payment set out in paragraphs 3.19 and 3.20 or any other changes to current practices.

Cost of future arrangements – Delay

- 4.4 Consignia has estimated, on the basis of the proposal for stamped and metered mail -

Delay

Number of complaints regarding delays to letters and special delivery -	130770
	£
first day of delay @ £3 =	392310
refund of postage @ 27p =	35308
total =	427618

- 4.5 Further costs would be incurred by Consignia in direct relation to the extent of the number of additional days of delay (at £1 per day per claim). Consignia is unable to estimate these additional costs as figures for letters delayed by additional days are not available.

- 4.6 Consignia has also provided costs based on the number of complaints about delay relating to retail parcels. On the same basis as that for stamped and metered mail, Consignia estimates that the compensation payable would be -

Number of complaints regarding Delays to parcels -	805
	£
first day of delay @ £3 =	2415
refund of postage @ (approx) £5 =	4025
total =	6440

- 4.7 As described in paragraph 4.5, further costs would be incurred by Consignia in direct relation to the extent of the number of additional days of delay but it is not possible to estimate these additional costs as figures for this are not available.

- 4.8 With regard to both letters and parcels the actual amount of compensation paid for current complaint levels is likely to be higher than the estimates given above as there will be some claims relating to delay of more than one day (beyond the tail of mail). For example, if all complaints last year had been made for letters and parcels that were 15 days late, the cost to Consignia would have been £2.2 million for letters and £12,075 for parcels.
- 4.9 The costs of a bulk mail scheme are difficult to estimate. At best, if Consignia meets all of the service standards as required by the licence then no compensation at all would be payable.
- 4.10 Assuming a 1% failure rate to meet targets for bulk mail services and using the proposal put forward in the table in chapter 3 this would lead to a compensation cost to Consignia of approximately £30m pa. However, Consignia has estimated that if the compensation scheme were to be applied for the end of year figures for 2001/02 this would have resulted in compensation payments in the region of £60m.

Annex A - Draft Determination of a Standards of Service Compensation Scheme

POSTAL SERVICES ACT 2000

SECTION 11

LICENCE GRANTED TO CONSIGNIA PLC

DETERMINATION OF THE POSTAL SERVICES COMMISSION UNDER PARAGRAPH 11(e) OF CONDITION 4

Whereas

- (1) Consignia plc ("Consignia") 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) Paragraph 10 of Condition 4 in Schedule 2 to the Licence requires Consignia to establish a scheme to be known as the standards of service compensation scheme for compensating users of postal services affected by failure by Consignia to meet the quality standards applicable to postal packets posted by them or other failures by Consignia for services specified in the scheme.
- (3) Paragraph 13 of the said Condition 4 provides that the standards of service compensation scheme shall be in such terms as may be agreed between Consignia and the Consumer Council for Postal Services ("Postwatch"), or as determined by Postcomm before that paragraph came into force, but where no standards of service applied before that date, provided certain procedural requirements are followed, the standards of service compensation scheme shall be in such terms as may be determined in writing by Postcomm.
- (4) Although Consignia and Postwatch agreed the broad framework of the standards of service compensation scheme, they were unable to do so before the said paragraph 13 came into effect, nor did Postcomm determine the terms of such a scheme before that date and it therefore now falls to Postcomm to settle the matter by determination.
- (5) On [DD MM 2002] Postcomm gave 30 days' notice in writing to Consignia that it proposed to make a determination as to the terms of the standards of service compensation scheme and published that notice.
- (6) Postcomm has received and considered representations from Consignia, Postwatch and from others in relation to its proposal to make a determination.

Now Postcomm hereby determines as follows -

1. The terms of the standards of service compensation scheme required to be established pursuant to paragraph 10 of Condition 4 in Schedule 2 to the Licence shall be the terms set out in the Annex hereto.
2. Nothing in this determination shall operate as a restriction on the subsequent modification of the standards of service compensation scheme in accordance with the provisions of the Licence.
3. Unless the context otherwise requires, words and expressions that are defined in the Licence and used in this determination shall have the same meanings in this determination as they have in the Licence.

The common seal of the Postal Services
Commission hereunto affixed is authenticated
by -

**Authorised for that purpose by
*the Postal Services Commission***

Date: DD MM 2002

ANNEX TO DETERMINATION MADE FOR THE PURPOSE OF PARAGRAPH [11(e)] OF CONDITION 4 OF THE LICENCE OF CONSIGNIA PLC

STANDARDS OF SERVICE COMPENSATION SCHEME OF CONSIGNIA PLC

Compensation to be provided by Consignia

1. Compensation shall be paid by Consignia plc (“Consignia”) in accordance with this Scheme to users of postal services provided by Consignia affected by failure by Consignia to meet the quality standards applicable to postal packets sent by or to those users or other failures by Consignia for services specified within the scheme.
2. This Scheme is intended to ensure that users of postal services receive compensation for loss, damage and unreasonable delay in the provision of those services, with an increasing level of compensation for longer delays. The Scheme also provides for compensation in relation to other failures of service by Consignia for services specified in the scheme.

Retail services

Events attracting compensation; nature and extent of compensation payments - delay

3. The events in respect of which compensation is to be paid under this Scheme and the nature and extent of compensation to be paid on the occurrence of those events are set out in the following table.

Description of Service	Event	Compensation award
1 st and 2 nd class mail and 3 day Standard parcels	Delay	Payment of £3 for the first day compensation is payable, plus refund of postage costs, plus an additional payment of £1 for each further day of delay until the postal packet is deemed undelivered.
Special Delivery ¹	Delay	Refund of fee plus payment of £3 for the first day compensation is payable, plus an additional payment of £1 for each further day of delay until the postal packet is deemed undelivered.

Note: Details of the amount of compensation payable under the scheme are shown at the end of the Annex.

Events attracting compensation; nature and extent of compensation

¹ The due date for Special Delivery is specified in the terms and conditions for this product and will not always provide for next day delivery. The amount of compensation due will, in some cases, therefore differ according to the service specification.

payments – loss

4. 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 last possible date in which compensation for delay would have been payable. The maximum compensation for lost postal packets (unless otherwise stated in the terms and conditions of the service provided) will be 100 x the cost of a first class stamp.

Events attracting compensation; nature and extent of compensation payments – damage

5. Where a postal packet has been damaged, there will be evidence of that damage, its extent and cause. Compensation will be agreed on a case by case basis by Consignia and the complainant. The maximum level of compensation payable (unless otherwise stated in the terms and conditions of the service provided) will be 100 x the cost of a first class stamp.

Events attracting compensation; nature and extent of compensation payments – other failure by Consignia for services specified in the scheme (keepsafe and redirection)

6. **Keepsafe** – in the event of a postal packet, which should have been kept at the delivery office being delivered, a payment of twice the cost of the failed service will be made.
7. **Redirections** – where there is a failure of the redirection service, customers will be compensated on the following basis:
 - 1st Daily failure = 10 first class stamps
 - 2nd daily failure = free extension of the redirection service for one month
 - 3rd daily failure = one month refund of the redirection fee
 - 4th daily failure = refund of balance of fee paid
 - 5th daily failure and beyond = compensation to be agreed between Consignia and the customer.

Procedures for payment – retail services

8. A claim in relation to any event shall not be made after the expiry of the earlier of -
 - (a) three months from the receipt, or
 - (b) twelve months from the postingof the postal packet that is subject to the event giving rise to the claim.
9. The persons who may claim compensation are -
 - (a) the sender of a postal packet, or any person acting on behalf of that person, and
 - (b) the addressee of the postal packet (who shall be presumed by Consignia,

in the absence of evidence to the contrary, to be the assignee of the sender of the postal packet in respect of the sender's entitlement to compensation),

provided that compensation shall be payable only once in relation to the conveyance of any postal packet.

10. Claims for failure by Consignia for other services specified in the scheme must be made within one month of the service failure becoming apparent.
11. Consignia may require claims to be made in accordance with such reasonable procedures as, with the approval of Postwatch and Postcomm, it determines. These procedures may include -
 - (a) a requirement that generally, or in specified circumstances, claims shall be made in writing (including, where appropriate, supporting evidence),
 - (b) arrangements for ensuring that compensation is not paid more than once in respect of the conveyance of any postal packet,
 - (c) arrangements for ensuring that unwarranted claims are not made, and
 - (d) arrangements under which decisions made by Consignia in relation to compensation that users find unsatisfactory may be reviewed within Consignia.

Bulk mail services

Calculation and payment of compensation

12. Compensation payable for delays in bulk mail services shall be paid on an automatic basis by Consignia no later than the end of the third month after the end of the year to which the minimum target percentages apply. The level of compensation to be paid will be calculated on the following basis -

Description of Service	Event	Compensation award
Bulk Mail Services	Failure to achieve target percentage	<p>For each service for which, in any year, Consignia's actual percentage of deliveries achieved within the due date is less than the target percentage, Consignia shall pay to each sender using that service the sum calculated in accordance with the formula -</p> $C = Bx \left(\frac{T - A}{100} \right)$ <p>Where -</p> <p>C is the compensation payable by Consignia to that customer in respect of that service in that year,</p>

		<p>B is the sum of Consignia's billings to that customer for the use of that service in that year,</p> <p>T is the target percentage for that service for that year, and</p> <p>A is the actual percentage of deliveries within the due date achieved by Consignia for that service in that year.</p>
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Exclusions – retail services only

13. No claim may be brought in relation to any postal packet that is addressed in a manner that does not clearly include all the elements of the postal address or is incorrectly addressed.
14. Consignia shall not be required to pay any compensation if the event giving rise to the claim was caused by circumstances outside Consignia's control, including exceptionally severe weather conditions, acts of terrorism and vandalism, but excluding the failure of its employees, sub-contractors or agents, to provide services to or for Consignia.
15. Consignia shall not be required to pay compensation where alternative delivery arrangements have been agreed with the customer and the delay, loss or damage is caused by the customer or by the nature of the arrangements.
16. Consignia shall not be required to pay compensation where the claim relates to a postal packet posted with another service provider.
17. Consignia shall not be required to pay compensation where the claim relates to a postal packet where postage is unpaid or underpaid.
18. In the event of industrial action Consignia's obligation to provide compensation under this scheme may be suspended to such extent, in such circumstances and for such duration as Postcomm may determine.

Disputes

19. Any dispute arising between a person claiming compensation under this Scheme and Consignia as to whether compensation is due or whether the compensation proposed by Consignia is appropriate shall, once it has been properly considered by Consignia, be referred to Postwatch for consideration.
20. There is no sanction specifically for failure on the part of Consignia to follow a Postwatch recommendation, but Postwatch may make a reference to Postcomm for failure by Consignia to meet its obligations under the scheme, or seek a licence modification, if its recommendations are not followed.

Commencement and review

21. This Scheme shall commence on 1 April 2003.
22. This Scheme shall be subject to modification and review as provided in Condition 4.

Interpretation

23. In this Scheme the terms or expressions set out in the left hand column in the table below have the meaning set out adjacent to them in the right hand column in the table.

“the Act”	means the Postal Services Act 2000,
“bulk mail services”	includes all Mailsort, Presstream, PPI (Postage Paid Impression) and Response Services,
“Condition 4”	means the condition numbered 4 in the Second Schedule to the Licence,
“damage”	means any physical damage to a postal packet, other than damage caused by unlawful interference, occurring after the time of acceptance of that packet by the Licensee and before its delivery to the person to whom or at the premises to which it is addressed,
“delay”	a postal packet shall be regarded as delayed if Consignia has not attempted to deliver it at the place to which it is addressed by the end of – <ul style="list-style-type: none"> (a) the due date in relation to special delivery, (b) the seventh working day after the due date in relation to the 3 day standard parcel service, and (c) the third working day after the due date in the case of other services within the scope of this scheme, cognate expressions shall be construed accordingly,
“due date”	means – <ul style="list-style-type: none"> (a) for first class services the next working day following the day of posting, (b) for Special delivery services the date provided in the delivery specification, (c) for second class services the third working day following the date of posting, and (d) for Mailsort 3 services the date specified in the service specification agreed between Consignia and the sender of a mailing using the service,
“first class services”	means those services which are listed as first class services in the Notes to Annex to Condition 4,
“the Licence”	means the licence granted to Consignia under section 11 of the Act on 23 March 2001,

<p>“loss”</p>	<p>means the physical loss of a postal packet, other than as a result of –</p> <p>(a) having been stolen,</p> <p>(b) being incorrectly addressed,</p> <p>at any time after the acceptance of that packet by the Licensee and before its delivery to the person to whom or at the premises to which it is addressed, and in relation to any postal packet shall be deemed to include a failure by the Licensee to deliver that packet as aforesaid within –</p> <p>15 days of its due day of delivery if delivery is due before 31 March 2005, or</p> <p>10 days of its due day of delivery thereafter,</p>
<p>“target percentage”</p>	<p>means, for each service for each year the percentage set out in the Annex to Condition 4 of Consignia’s Licence,</p>
<p>“undelivered”</p>	<p>a postal packet shall be regarded as undelivered if Consignia has not attempted to deliver it before the end of the fifteenth day of its due day of delivery if delivery is due before 31 March 2005, or</p> <p>10 days of its due day of delivery thereafter,</p>
<p>“postal address”</p>	<p>means for any premises the address, including the postcode, maintained by Consignia from time to time as corresponding to those premises in the Postcode Address File,</p>
<p>“retail services”</p>	<p>means services within the scope of this scheme that are not bulk mail services,</p>
<p>“second class services”</p>	<p>means those services which are listed as second class services in the Notes to the Annex to Condition 4,</p>
<p>“services within the scope of this scheme”</p>	<p>means those services listed in the Annex to Condition 4 and Keepsafe and Redirection services.</p>
<p>“year”</p>	<p>means a period of twelve months ending on 31st March.</p>
<p>“working day”</p>	<p>(a) in relation to the collection and delivery of letters, any day which is not a Sunday or a public holiday, and</p> <p>(b) in relation to the collection and delivery of postal packets other than letters, any day which is not a Saturday, a Sunday or a public holiday.</p>

**THIS NOTE DOES NOT FORM PART OF THE DETERMINATION
Compensation Payable**

Number of working days after item was posted	1 st class mail	Special Delivery ²	2 nd class mail	Parcels
	£	£	£	£
1	<i>due</i>	<i>due</i>	0.00	0.00
2	0.00	3.00	0.00	0.00
3	0.00	4.00	<i>due</i>	<i>due</i>
4	0.00	5.00	0.00	0.00
5	3.00	6.00	0.00	0.00
6	4.00	7.00	0.00	0.00
7	5.00	8.00	3.00	0.00
8	6.00	9.00	4.00	0.00
9	7.00	10.00	5.00	0.00
10	8.00	11.00	6.00	0.00
11	9.00	12.00	7.00	3.00
12	10.00	13.00	8.00	4.00
13	11.00	14.00	9.00	5.00
14	12.00	15.00	10.00	6.00
15	13.00	16.00	11.00	7.00
16	14.00	17.00	12.00	8.00
17	<i>Lost</i>	<i>Lost</i>	13.00	9.00
18	<i>Lost</i>	<i>Lost</i>	14.00	10.00
19+	<i>Lost</i>	<i>Lost</i>	<i>Lost</i>	<i>Lost</i>

Notes:

Working day (a) in relation to the collection and delivery of letters, any day which is not a Sunday or a public holiday, and

b) in relation to the collection and delivery of postal packets other than letters, any day which is not a Saturday, a Sunday or a public holiday.

Annex B - Condition 4: Services standards of service and compensation

Note: The draft of amended condition 4 set out below has been developed from text prepared by Postwatch. Postwatch sought to set out the detail, as well as the general scope, of the understanding between Consignia and Postwatch as to a package of measures covering standards of service and compensation for delay, loss and damage.

Consignia has advised Postcomm that it has concerns about the draft text and its inclusion in the consultation paper. The provisions about which Consignia is most seriously concerned are shown in italics. The nature of Consignia's concerns about condition 4 is outlined in Chapter 8 of the consultation paper "Review of Consignia plc's Pricing and Service Quality Regulation: A Proposals Document", which invites comments on the content of these conditions. As indicated in that Chapter, Postcomm looks to Consignia and Postwatch to work to develop an agreed position on these conditions over the course of the consultation period.

Condition 4: Services standards of service and compensation

Part I. Standards of Service

1. In this condition "scheduled services and standards" means the minimum services and standards of service to be maintained pursuant to paragraphs 3 and 4 as those services and standards are amended pursuant to paragraphs 20, 21 and 22 and "scheduled services" and "scheduled standards" shall be construed accordingly.
2. The Licensee shall use reasonable endeavours –
 - (a) to collect postal packets –
 - (i) from its customers as agreed with them, and
 - (ii) on a regular and reasonable basis from any post office letter boxes it uses, and
 - (b) appropriately to deliver, or to procure the delivery of, any postal packets it receives in the course of its business as a postal operator within a reasonable time.
3. The Licensee shall at all times –
 - (a) maintain a schedule in writing of the minimum postal services to be provided to users and of the minimum standards of service to be achieved by the Licensee in the provision of those services, and

- (b) ensure that Postcomm and the Council are provided with up to date copies of the schedule and minimum standards maintained in accordance with paragraph (a).
- 4. The scheduled services and standards shall –
 - (a) deal with routing times and the regularity and reliability of services to be achieved;
 - (b) lay down quality standards for national mail that are compatible with those laid down for intra-Community cross-border mail;
 - (c) provide quality standards for intra-Community cross-border mail services in a manner consistent with the Annex to the Postal Services Directive;
 - (d) be no less beneficial to consumers than those described in the standards notified to the European Commission by the United Kingdom Permanent Representative to the European Union on 24 May 2000, and
 - (e) incorporate targets for the delivery and improvement of services that are no less demanding for the Licensee than the targets set out in the Annex to this condition.
- 5. The Licensee shall not make any change to the scheduled services and standards other than in accordance with paragraphs 20, 21 and 22.
- 6. Except as Postcomm may by direction determine, the Licensee shall use all reasonable endeavours to provide the scheduled services and meet the scheduled standards.
- 7. The Licensee shall –
 - (a) monitor its compliance with the scheduled standards using a testing methodology that –
 - (i) is representative of the range of services to which and customers for whom the scheduled standards are relevant and capable of providing results with measurable statistical significance,
 - (ii) is applied independently of the Licensee, and
 - (iii) is compliant with Article 16 of the Postal Services Directive, and
 - (b) permit and cooperate with audit of its monitoring pursuant to paragraph (a) by persons appointed by the Council with the agreement of the Licensee which shall not be unreasonably withheld.

8. The Licensee shall –
 - (a) submit written quarterly reports on its compliance with the scheduled standards to Postcomm and to the Council, not later than two months from the end of the quarter to which they relate setting out the Licensee's performance against each of the scheduled standards, and
 - (b) include with every fourth report submitted under paragraph (a) a statement of the action the Licensee intends to take in the following period of twelve months in order to meet the targets referred to in paragraph 4(e).
9. The Licensee shall at all times –
 - (a) maintain and comply with a code of practice for identifying the incidence of, and addressing the causes of, significant failure to meet the scheduled standards in postcode districts within postcode areas in which the scheduled standards overall are met, and
 - (b) ensure that Postcomm and the Council are provided with up to date copies of the code of practice maintained in accordance with paragraph (a).

Part II. Compensation Scheme

10. The Licensee shall establish and at all times thereafter maintain a scheme to be known as the "standards of service compensation scheme" for compensating senders or recipients of postal packets affected by –
 - (a) delay in the delivery of postal packets beyond the times or dates that were stipulated for their delivery, whether in the Licensee's specification or otherwise, in relation to the services by which they were posted or in respect of which payment was made,
 - (b) *loss of or damage to postal packets, and*
 - (c) *other failures by the Licensee in the provision of postal services in accordance with the terms on which they were offered.*
11. The Licensee shall, until the establishment of the standards of service compensation scheme, operate a scheme which provides as minimum benefits to users of the Licensee's postal services the benefits provided for in –

- (a) Part 5 of the Post Office Inland Letter Post Scheme 2000,
 - (b) Parts VI, VII and VIII of the Post Office Inland Parcel Post Scheme 1989,
 - (c) paragraphs 33, 36 and 37 and Schedule 9 of the Post Office Overseas Letter Post Scheme 1982, and
 - (d) paragraphs 23, 24 and Schedule 3 of the Post Office Overseas Parcel Post Scheme 1982, in each case as amended to 1 January 2001.
12. The standards of service compensation scheme shall–
- (a) provide for the Licensee paying to any such person as is mentioned in paragraph 10 such compensation as may be specified in the scheme as being appropriate,
 - (b) where a dispute arises between a person claiming compensation under the scheme and the Licensee as to whether compensation is due or whether the compensation is appropriate, provide for the Licensee to inform the person claiming compensation of his right to refer the matter to the Council, and
 - (c) *in relation to compensation other than for delay, loss or damage, extend at least to the following services –*
 - (i) *Keep Safe, and*
 - (ii) *Redirection.*
13. Subject to paragraph 20, 21 and 22, the standards of service compensation scheme shall be in such terms as may –
- (a) have applied as a result of agreement between the Licensee and the Council or determination by Postcomm before the date on which this paragraph came into force, or
 - (b) if no standards of service compensation scheme applied before that date, be agreed between the Licensee and the Council, provided that if –
 - (i) there has been no such agreement between the Licensee and the Council within the period of six months from date on which this paragraph came into force, and
 - (ii) Postcomm has given the Licensee not less than 28 days notice in writing that it proposes to make a determination

as to the terms of the standards of service compensation scheme, and

- (iii) Postcomm has given to the Licensee the opportunity in that period of not less than 28 days to make representations to it in relation to its proposal to make such a determination, then

the standards of service compensation scheme shall be in such terms as may be determined in writing by Postcomm.

14. The Licensee shall not make any change to the standards of service compensation scheme other than in accordance with paragraphs 20, 21 and 22.
15. The Licensee shall meet its obligations under the standards of service compensation scheme.
16. The Licensee shall submit annual reports on the operation of the standards of service compensation scheme to Postcomm and to the Council, not later than three months from the end of the year to which they relate, setting out for the United Kingdom as a whole and, except as Postcomm may agree otherwise in writing, for each of the postcode areas –
 - (a) the number of complaints (including claims for compensation) for compensation that were received,
 - (b) the number of complaints in relation to which compensation was paid, and
 - (c) the amount of compensation (including any payments in lieu of compensation) that was paid,in each case broken down by not less than ten of the main causes of the claims.
17. The reports submitted pursuant to paragraph 16 shall be accompanied by a statement of the action the Licensee intends to take in the year following submission of the report to address the causes of claims for compensation.

Part III. Publication and Modification

18. The Licensee shall –
- (a) publish the schedule of established services and standards, particulars of the standards of service compensation scheme, the reports required to be submitted under paragraphs 8 and 16 and the statement required to be submitted under paragraph 17 in such manner as will ensure reasonable publicity for them,
 - (b) not assert copyright against, or otherwise oppose, any publication arranged by Postcomm or by the Council of the schedule, reports and statement, and
 - (c) make copies of the schedule, reports and statement available free of charge to any person requesting them.
19. The Licensee shall –
- (a) offer to review the schedule of established services and standards and the standards of service compensation scheme with the Council in the years ending on the first and second anniversaries of this Licence and thereafter in every second year ending on the anniversary of the Licence, and
 - (b) discuss in good faith with the Council and endeavour to agree modifications to the scheduled standards and services and to the standards of service compensation scheme that are appropriate in the interests of users of the Licensee’s postal services for the period until the next review.
20. The schedule of established services and standards and the standards of service compensation scheme may be amended by the Licensee at any time with the agreement of the Council or of Postcomm provided, in the case of amendments agreed with the Council, that not less than three months’ notice of the proposed amendments has been given to Postcomm and Postcomm has not within two months of being notified directed that the proposed amendments be not made.
21. *If the Council recommends to the Licensee following a review under paragraph 19 that the schedule of established services and standards or the standards of service compensation scheme should be changed, then the Licensee shall either*
-

- (a) *alter the schedule of established services and standards or the standards of service compensation scheme in the manner recommended by the Council, subject to any modifications agreed with the Council, or*
 - (b) *advise both the Council and Postcomm in writing –*
 - (i) *that it declines to alter the schedule of established services and standards or the standards of service compensation scheme (as the case may be) in the manner recommended by the Council; and*
 - (ii) *of the full reasons for its decision.*
22. *If –*
- (a) *the Licensee has advised the Council and Postcomm in accordance with paragraph 21(b) that it declines to alter the schedule of established services and standards or the standards of service compensation scheme, and*
 - (b) *Postcomm has given the Licensee not less than 28 days notice in writing that it proposes to make a determination as to the terms of the schedule of established services and standards or the standards of service compensation scheme (as the case may be), and*
 - (c) *Postcomm has given to the Licensee the opportunity in that period of not less than 28 days to make representations to it in relation to its proposal to make such a determination, then*
the schedule of established services and standards or the standards of service compensation scheme (as the case may be) shall be amended in such manner as Postcomm shall determine.
23. The Licensee shall appoint an official reporting directly to a member of its board of directors and charged with responsibility for monitoring the Licensee's compliance with the scheduled standards and for meeting representatives of the Council on not less than two occasions per year to discuss the schedule of established services and standards, the standards of service compensation scheme, the reports submitted pursuant to paragraphs 8 and 16 and the statement required to be submitted under paragraph 17.
24. The Licensee shall not –
- (a) establish any scheme under section 89 of the Act, or

- (b) include any provision in such a scheme,
that is incompatible with any of the Licensee's obligations under this condition.

ANNEX TO CONDITION 4

Minimum targets to be incorporated in the Licensee's scheduled services and standards

PRODUCT/SERVICE			TARGET (%)		
No	Name of product/service		To end of March 2004	To end of March 2005	To end of March 2006
1	1 st Class mail	Notes 1 - 5	92.5	92.5	93.0
2	2 nd Class mail	Notes 1 - 5	98.5	98.5	98.5
3	Mailsort 1	Notes 1 - 7	92.5	92.5	93.0
4	Mailsort 2	Notes 1 - 7	98.5	98.5	98.5
5	Mailsort 3	Notes 1 - 8	98.5	98.5	98.5
6	Presstream 1	Notes 1 - 7	92.5	92.5	93.0
7	Presstream 2	Notes 1 - 7	98.5	98.5	98.5
8	1 st Class PPI	Notes 1 - 6, 9	92.5	92.5	93.0
9	2 nd Class PPI	Notes 1 - 6, 9	98.5	98.5	98.5
10	1 st Class response services	Notes 1 - 6, 10	92.5	92.5	93.0
11	2 nd Class response services	Notes 1 - 6, 10	98.5	98.5	98.5
12	Special delivery	Note 14	99.0	99.0	99.0
13	Tail of mail on all products: % to be delivered within the specified number of days of the due day of service for services 1 to 12 above and 16 below		99.9 within 3 days of that date for services 1 to 12 and within 7 days of that date for service 16		99.9 within 3 days for all these services
14	Postcode area targets: all stamped and metered posted mail Note 11		90.5 in all areas	91.0 in all areas	91.5 in all areas
15	Postcode area targets: Intra area mail Note 12		92.5 in all areas	92.5 in all areas	92.5 in all areas
16	Parcels - 3 day standard service Note 13		90.0	90.0	90.0

Notes:

- The products and services referred to above are those products and services as may be more fully defined by reference to a table of definitions approved by Postcomm for the purpose of this Annex with the agreement of the Licensee⁴.
- The percentages shown for products/services numbered 1 to 4 and 6 to 11 above show the percentage of letters that should meet the service requirements of delivery the next working day for 1st class services or by the end of the third

⁴ Approval given 23 March 2001. Available on Postcomm public register and website.
Review of Consignia plc's Price and Service Quality 41 October 2002
Regulation: A Compensation Scheme

working day after collection or receipt by the Licensee for 2nd class services. The services numbered 1, 3, 6, 8 and 10 are 1st class services. The services numbered 2, 4, 7, 9 and 11 are 2nd class services.

3. The percentages to be achieved are to be achieved on average in the United Kingdom as a whole throughout the periods of 12 months ending at the end of March in each of the years shown, excluding the Christmas and New Year period.
4. The Christmas and New Year period is the period commencing on the first Monday in December in any year and ending at the start of the first working day after the New Year public holiday or, in Scotland, at the start of the first working day immediately after the Scottish New Year public holiday.
5. The 1st class and 2nd class targets are national targets for all stamped and metered 1st class and all stamped and metered 2nd class mail; they may reflect relative volumes and different targets for intra, neighbouring and distant postcode conveyance.
6. The Mailsort 1 and 2 and 3, Presstream, PPI and response services targets do not reflect the differences between their relative volumes for intra, neighbouring and distant postcode conveyance and those for all stamped and metered mail, therefore the measurement of performance against targets for Mailsort 1 and 2 and 3, Presstream, PPI and response services will be adjusted to take account of the different mail distribution profiles. This adjusted measure will reflect the quality of service that would have been experienced by bulk mail services, if they had a similar pattern of mail distribution to stamped and metered mail. The reduction in target for Mailsort 1 between 2003 and 2004 is reflected in an equal reduction in the distance adjustment for this product. There is therefore no real reduction in the performance expected for this product.
7. Any reference to Mailsort 1, 2 or 3 includes all the Mailsort services described in the table approved for the purpose of Note 1 with suffixes 1, 2 and 3 respectively.
8. The percentages shown for the product/service numbered 5 show the percentage of letters that should meet the service requirement of delivery by the end of the seventh working day after collection or receipt.
9. The services offered for 1st class and 2nd class PPI (Postage Paid Impression) are substantially the same services as other 1st class and 2nd class services. Separate performance targets are applicable because of slightly different arrangements for the receipt of mail under PPI services by the Licensee as compared with other services.
10. The response services referred to in the table approved for the purpose of Note 1 are offered through both 1st and 2nd class post.
11. The postcode area targets are minimum targets for delivering first class mail the next working day after receipt or collection to be achieved on average in each postcode area (except HS, KW and ZE) throughout the periods of 12 months ending at the end of March in each of the years shown, excluding the Christmas and New Year period (see note 4).
12. The intra postcode area targets are minimum targets, for delivery of mail posted and delivered in the same postcode area, to be achieved on average in each postcode area throughout the period of 12 months ending at the end of March in each of the years shown, excluding the Christmas and New Year period (see note 4).

13. The percentages shown for the product/service numbered 16 show the percentage of parcels that should meet the service requirement of delivery by the end of the third working day after collection or receipt.
14. The percentages show the percentage of letters to be delivered within the delivery specification for the service purchased by the sender.

Annex C - Condition 8: Protecting the integrity of mail

Note: Please refer to the note above the heading to the draft text for condition 4 which outlines the background to this condition and Consignia's concern in connection with it. Chapter 8 of the consultation paper explains these issues.

Condition 8: Protecting the integrity of mail

Part I. The Mail Protection Procedures

1. The Licensee shall at all times maintain procedures, which shall be known as the Licensee's "mail protection procedures", for the purposes set out in paragraph 2.
2. The mail protection procedures shall be established and maintained for the purposes of –
 - (a) minimising the exposure of postal packets conveyed by the Licensee to the risk of loss, theft, damage or unlawful interference,
 - (b) minimising the risk of offences under sections 83 and 84 of the Act occurring in relation to postal packets and mailbags conveyed by the Licensee, and
 - (c) improving the performance of the Licensee in relation to the matters referred to in paragraphs (a) and (b).
3. The Licensee's mail protection procedures shall deal with the following matters –
 - (a) the selection, vetting, initial training, follow-up training, provision of incentives to and disciplining of its staff, agents, sub-contractors, directors and officials,
 - (b) the security of its buildings and vehicles,
 - (c) avoiding, identifying and taking action in respect of offences under sections 83 and 84 of the Act in relation to postal packets and mailbags conveyed by the Licensee,
 - (d) ensuring that its agents and sub-contractors have and apply appropriate procedures in relation to their staff, buildings and vehicles, and

- (e) the collection and analysis of statistics on the achievement of the purposes set out in paragraph 2.
4. The Licensee shall use all reasonable endeavours at all times to apply its mail protection procedures.
 5. The Licensee may make modifications to its mail protection procedures at any time provided that –
 - (a) the mail protection procedures, with the proposed modifications will, in the reasonable opinion of the Licensee, better facilitate the achievement of the purposes set out in paragraph 2,
 - (b) the Licensee has given not less than 3 months' notice in writing of the proposed modifications to Postcomm and to the Council, and
 - (c) Postcomm, within that period of notice, has not served notice in writing on the Licensee requiring that the proposed modifications be not made.
 6. The Licensee shall offer to review its mail protection procedures with the Council not less than once in every second calendar year ending on the anniversary of this Licence and shall cooperate with the Council in the conduct of any such review.
 7. *If the Council recommends to Postcomm following a review under paragraph 6 that the Licensee's mail protection procedures should be changed in order to better facilitate the achievement of the purposes set out in paragraph 2, then the Licensee shall either –*
 - (a) *alter its mail protection procedures in the manner recommended by the Council, subject to any modifications agreed with the Council, or*
 - (b) *advise both the Council and Postcomm in writing –*
 - (i) *that it declines to alter its mail protection procedures in the manner recommended by the Council; and*
 - (ii) *of the full reasons for its decision.*
 8. *If –*
 - (a) *the Licensee has advised the Council and Postcomm in accordance with paragraph 7(b) that it declines to alter its mail protection procedures, and*

- (b) *Postcomm has given the Licensee not less than 28 days notice in writing that it proposes to make a determination as to the terms of the Licensee's mail protection procedures, and*
- (c) *Postcomm has given to the Licensee the opportunity in that period of not less than 28 days to make representations to it in relation to its proposal to make such a determination, then*

the mail protection procedures shall be amended in such manner as Postcomm shall determine.

Part II. The Mail Protection Standards

9. The Licensee shall submit annual reports on the operation of its mail protection procedures to Postcomm and to the Council, not later than three months from the end of the year to which they relate, setting out for the authorised area as a whole its estimates of the number of postal packets during that year which were –
 - (a) lost,
 - (b) stolen,
 - (c) damaged, and
 - (d) interfered with.
10. The Licensee shall submit to Postcomm and to the Council, with each annual report submitted under paragraph 9 –
 - (a) a statement of the measures that the Licensee intends to take, in the period of twelve months from the submission of the report –
 - (i) to remedy any patterns of failure in achieving the purposes set out in paragraph 2; and
 - (ii) to reduce the numbers of postal packets conveyed by it which are subject to each of the events set out in sub-paragraphs 9(a) to (d), and
 - (b) a statement by the Licensee as to the percentage reductions it intends to achieve, in the period of twelve months from the submission of the report as compared to the period to which the report relates, in the

numbers of postal packets conveyed by it which are subject to each of the events set out in sub-paragraphs 9(a) to (d).

11. *The Licensee shall use reasonable endeavours to achieve the percentage reductions set out in accordance with sub-paragraph 10(b).*
12. *The Licensee shall report to the Council, within six months of the end of the year to which each annual report submitted under paragraph 9 relates, as to*

–

- (a) *its latest estimates of the number of postal packets conveyed by it during those six months which have been subject to each of the events set out in sub-paragraphs 9(a) to (d), and*
- (b) *the actions taken by it during those six months to reduce such numbers.*

13. *The Licensee shall cause the estimates referred to in paragraph 9 to be audited by competent independent auditors, appointed by the Licensee with the agreement of the Council which shall not be unreasonably withheld, who shall be required to report to the Council and to Postcomm on whether, in their opinion,*

- (a) *those estimates are fair estimates and have been calculated and presented in a manner that is not misleading to an informed recipient of them, and*
- (b) *that the information on which the estimates are based has been obtained, recorded and processed in a manner that ensures that it is reasonably accurate.*

14. *For the purposes of this condition⁵, the following words shall bear the meanings attributed to them (and cognate expressions shall be construed accordingly) –*

<i>“damage”</i>	<i>means any physical damage to a postal packet, other than damage caused by interference, occurring after the time of acceptance of that packet by the Licensee and before its delivery to the person to whom or at the premises to which it is addressed;</i>
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⁵ When formal notice is given to modify the licence these definitions will be incorporated in Condition 1. This will enable the loss definition, for example, to apply for the purpose of Condition 4. The definitions are included within Condition 8 for the purposes of consultation so that the other changes to the condition can be presented clearly.

<p><i>“interference”</i></p>	<p><i>means unlawful interference with a postal packet in the course of its conveyance, whether by a member of staff of the Licensee or by any other person, as (respectively) defined at sections 83 and 84 of the Act;</i></p>
<p><i>“loss”</i></p>	<p><i>means the physical loss of a postal packet, other than as a result of –</i></p> <ul style="list-style-type: none"> <i>(a) having been stolen,</i> <i>(b) being incorrectly addressed,</i> <p><i>at any time after the acceptance of that packet by the Licensee and before its delivery to the person to whom or at the premises to which it is addressed, and in relation to any postal packet shall be deemed to include a failure by the Licensee to deliver that packet as aforesaid within –</i></p> <ul style="list-style-type: none"> <i>(i) 15 days of its due day of delivery if delivery is due before 31 March 2005, or</i> <i>(ii) 10 days of its due day of delivery thereafter .</i>
<p><i>“stolen”</i></p>	<p><i>a postal packet shall be taken to have been stolen if it appears that it has been misappropriated in the course of conveyance by the Licensee contrary to section 7 of the Theft Act 1968, whether by a member of staff of the Licensee or by any other person.</i></p>