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Dear Ms Cawley

I am writing on behalf of Postwatch to apply for designation as a super-complainant under section 11 of the Enterprise Act 2002 (the Act). This application covers Postwatch and its nine regional offices, which are based throughout the UK.

About Postwatch

Postwatch, the Consumer Council for Postal Services, was set up by the Postal Services Act 2000. Postwatch is made up of nine regional offices spread across the UK and a central office located in London. Just about everybody uses the post in some way. An estimated 28 million people visit a post office at least once every week. The average person sends about 100 items of post each year and receives over five times that amount from friends and businesses. With major changes taking place in the postal services market, customers need an effective body to look after their interests.

We believe that Postwatch satisfies the requirements under section 11(6)(a) of the Enterprise Act in "representing the interests of consumers of any description". In our work we:

- Research issues of concern and campaign for an overall improvement in the postal sector;
- Advise and lobby the Regulator, Government, Royal Mail Group and other licensed operators and stakeholders on consumer views and interests;
- Negotiate and monitor service standards and targets;
- Advise the Regulator on appropriate action if Royal Mail Group fails to meet its performance targets or breaches its licence conditions in any way;
- Address national and local postal issues;
- Investigate and resolve individual complaints against Royal Mail Group or other licensed postal operators;
- Inform customers about key postal issues and market developments;

- Encourage a competitive environment to promote innovation and customer choice;
- Ensure Royal Mail puts customers first in the implementation of new products and services; and
- Promote the interest of disadvantaged consumers, including the disabled, to ensure their respective needs are considered.

Whilst Postwatch has a central complaints department its regional structure enables it to deal with issues on a local level. Additionally, our press team maintains an updated website which includes information relating to the latest developments in the postal market and published Postwatch policy documents, and it can be found at www.Postwatch.co.uk

Recently there have been two publications 'Consumer Representation in Regulated Industries' (DTI & HMT July 2004) and 'Energywatch and Postwatch: Helping and Protecting Consumers' (NAO October 2004). Both provide useful and supportive information on the way in which Postwatch operates and how it would be a suitable super complainant.

The information enclosed in this letter provides evidence in support of our application and addresses the additional criteria as set out by the Secretary of State.

Criterion 1

The body is so constituted, managed and controlled as to be expected to act independently, impartially and with complete integrity.

As a relatively new organisation Postwatch has established itself as an independent consumer expert, furthering and protecting the consumer interest in the light of postal market liberalisation, with particular reference to disadvantaged and vulnerable groups. Within just two years of its establishment, Postwatch has developed a comprehensive consultation network through its regional network and internal focus groups.

Postwatch's role is to protect, promote and develop the interests of all customers of postal services in the UK.

We are here to help all customers, both business and individual. We also specifically represent the interests of the disabled or chronically sick, pensioners, people on low incomes and those who live in rural areas.

Postwatch campaigns for a better overall postal service across mail delivery, service standards, pricing, competition in the postal market and the provision of post offices and the services they offer. We ensure that the consumer's voice is represented in any changes to services or new policies. We also get involved in issues at a local level such as the closure of a specific post office, problems on a delivery round or trials of new products and services in an area. On an individual level, we can help with complaints about the postal service. If a customer is unhappy with the service they receive from Royal Mail Group, Postwatch can represent them and take their case further with Royal Mail Group.

The promotion and protection of consumer interests is achieved by:

- Working with the Regulator, Royal Mail Group, consumers and consumer representatives who have a major say and are most affected by developments in the postal market;
- Providing a complaint handling function and ensuring the customer receives a satisfactory outcome;
- Monitoring Royal Mail Group's quality of service to ensure customers receive an acceptable level of service;
- Undertaking rigorous research and drawing on the experiences of consumers and other consumer bodies through our extensive consultation network;
- Publishing a wide range of policy, research and briefing reports; and
- Undertaking campaigns on behalf of consumers to ensure a better postal service.

At a local level, each regional office, through its network of contacts, builds up a picture of postal service provision and customer needs and ensures these are represented at a national level. Operating in this way Postwatch is able to gain local knowledge and gauge customer needs and opinion.

At a national level, Postwatch meets regularly with consumer bodies and business representatives through its Personal & Small Business Mail Users Group and Counters Advisory Group. This is to ensure Postwatch is fully aware of what customers think of the postal system and that we are also aware of any concerns they may have. In addition to this we meet with Trade Associations who represent some of Royal Mail Group's largest customers. This enables Postwatch to put forward effectively the views of the business community to the Royal Mail Group, Postcomm and Government.

Postwatch is a non-departmental public body funded by the DTI through grant-in-aid (section 274 of the Enterprise Act 2002, 'provision of financial assistance for consumer purposes').

Established under the Postal Services Act 2000, the organisation came into existence on 1 January 2001 as the Consumer Council for Postal Services (CCPS) and was re-branded as **Postwatch** on 20 March, 2001. Postwatch is independent of Government, the Regulator (Postcomm) and Royal Mail Group.

Postwatch is governed by a National Council. This is made up of a Chairman, nine Regional Chairmen and four independent Council members. The National Council members are appointed by the Secretary of State for Trade and Industry in accordance with the OCPA Code of Practice for Public Appointments.

In order to satisfy criterion 1 as set out in the guidance we attach, in the Appendices, the following information:

List of Postwatch Council members; list of Postwatch Senior Officers; CV's of Postwatch Council members and Senior Officers (not for publication); current list of directorships, shareholdings and any other substantial interests in other companies held by directors, partners or principal officers of the organisation (not for publication); Postwatch annual report and accounts 2002-2003; 2003-2004.

Criterion 2

The body can demonstrate considerable experience and competence in representing the interests of consumers of any description;

And

Criterion 3

The body has the capability to put together reasoned super-complaints on a range of issues.

Since Postwatch's establishment in 2001, it has had a commendable achievement record of representing the interest of consumers. With the help of external research companies, legal advisors and specialised economists, we have undertaken a large number of research projects on issues of concern to customers. We have led campaigns for change on a number of postal issues, produced policy documents, and where necessary, we have lobbied the Regulator, the Royal Mail Group and other stakeholders on consumer views and interests.

The following examples illustrate Postwatch's experience and competence in representing the interests of consumers, reflecting the wide-range of issues Postwatch works on, and gives an indication of our capability to put together a reasoned super-complaint:

1. Previous Super-Complaint

In early May 2002 serious concerns were raised by Royal Mail Group customers to Postwatch about the operation of the Royal Mail Group "Mailsort" contracts. Following the complaints Postwatch produced a dossier and submitted the case to the OFT as a "Super Complaint". Postwatch has access to specialist lawyers and economists and consulted these, along with OFT, prior to submitting the super-complaint. The OFT then decided to refer the case to Postcomm for investigation, although the Regulator did not have concurrent powers. Postcomm decided after meeting a number of the complainants, to close the case as it did not have reasonable grounds to suspect an infringement of any of Royal Mail's licence conditions or competition law.

2. Network Re-invention

In October 2002 Parliament approved the urban reinvention programme that involves the closure of up to 3000 urban post offices across the UK.

Postwatch is examining every proposed post office closure in order to assess whether there are other post offices in the locality that customers can get to without major difficulty and whether they provide good facilities and services. Postwatch does not have the power to overturn a Post Office Ltd decision but we strongly oppose Post Office Ltd closure proposals if customers face excessive difficulty accessing postal services. However, we do not oppose all closures on principle.

For every planned closure, Postwatch investigates all relevant factors including:

- accessibility of nearby post offices;
- transport links;

- customer services provision at nearby post offices including disabled access/facilities and product availability; and
- ability of nearby post offices to handle increased customer numbers - counter positions, queuing, etc.

Postwatch will, where necessary, press for improvements and upgrades to post offices near the closing branch to enhance customer service and make postal facilities more accessible.

As part of the evaluation process Postwatch works closely with customers, local authorities, MPs, members of devolved administrations and other stakeholders.

3. Complaints

Over an 18 month period between 2002 and 2003, Postwatch had been negotiating with Royal Mail Group to include our name on its correspondence to customers in order to raise customer awareness of who we are and to give them the opportunity to complain to us where necessary. Royal Mail Group eventually agreed to this and now includes Postwatch's contact details on letters to complainants in case they are not satisfied with how Royal Mail has dealt with their cases.

In the first quarter during which Royal Mail Group gave our details to customers, Postwatch had an 86 percent increase in complaints. There was a 127% increase in telephone contacts in the first month.

To further improve Postwatch's performance due to the large number of complaints we had been receiving, Postwatch established a call centre based in Belfast in November 2002 to deal with enquiries and complaints. This has been highly successful and at year-end (2003) it was receiving over 6,000 calls a month of which 98 percent were answered within fifteen seconds.

What if customers are not satisfied with the response to their problem?

At Postwatch, we are here to help make customer complaints heard - improving the service for everyone and obtaining compensation where appropriate. If customers have already made a complaint but did not receive a satisfactory response then we are here to follow up their case.

Historically if customers were unhappy that their claim for compensation had been turned down by Royal Mail Group, they could take their case to arbitration. In practice very few cases went to independent arbitration.

Following the creation of Postwatch, Royal Mail Group reviewed the need for arbitration and recognised that the need for it had been greatly reduced. It subsequently decided that in future all customer 'appeals' would be channeled through Postwatch.

How can Postwatch help?

Postwatch understands what Royal Mail Group and any other licenced providers have to do to comply with their licence. If there is a failure to comply, Postwatch can refer the matter to Postcomm (the Regulator) with a request for

enforcement action to be taken. Alternatively, Postwatch can discuss the issue direct and gain agreement as to what remedial action will be undertaken.

Postwatch also helps to further the interests of customers by monitoring service levels and complaints. Such monitoring reveals weak spots that can be drawn to Royal Mail's attention. This helps to improve services.

4. Quality of Service

As the primary postal provider in the UK, it is absolutely vital that Royal Mail delivers a high standard of service to its customers. It is therefore a condition of its licence that it uses 'all reasonable endeavours' to meet the minimum service standards agreed with Postcomm and Postwatch. The service standards consist of 15 annual performance targets across a range of products, which are measured. Postwatch employs independent auditors to ensure that the measurement systems used by Royal Mail are robust.

It is the role of both Postcomm and Postwatch to hold Royal Mail Group to account. Each quarter Royal Mail presents Quality of Service reports to the two organisations. The reports provide an indication of how likely Royal Mail is to meet each of its annual performance targets. If there are specific problem areas, Royal Mail outlines the improvement plans it intends to put in place.

Postwatch assesses each report in detail, taking any performance shortfalls very seriously. We produce our own reports based on the information provided by Royal Mail Group, highlighting any successes as well as the areas for concern. These reports are posted on our website for public consumption.

Where we believe Royal Mail Group has not used all reasonable endeavours to maximise the service it provides, we can recommend that Postcomm takes action against it. This can be in the form of enforcement action or, in some cases, a significant fine. In 2003, Royal Mail Group was fined £7.5m for constantly failing to hit two of its targets.

In 2003 it was brought to Postwatch's attention that customers were being charged an extra fee on the customs clearance, instead of paying £7.25. Parcelforce (a subsidiary of Royal Mail Group) was charging customers an extra 50p for each clearance which went on for over one year unnoticed. Once Postwatch became aware of the issue we were able to claim a total of £75,000 to cover the full fee overcharged to customers.

Quality of Service Consultation

Postwatch has recently published a consultation document on the above area (October 2004). The purpose of these targets is primarily to ensure that, in the absence of established competitive forces, service quality reaches and maintains an acceptable level relative to price and customer expectation. The document is a framework upon which Postwatch's position on the Price Control consultation will be built and all views will be taken into account before that submission is made. Above all any system of targetry should measure and improve those elements of Royal Mail's service that are most important to those who use and pay for it, the customer.

5. Compensation

Over the last three years Royal Mail Group has failed to meet its quality of service targets, Postwatch had been lobbying for Postcomm to introduce a compensation scheme for lost, delayed and damaged mail. This we believed would be an incentive for Royal Mail to improve its quality of service, in turn providing a better service for customers.

In January 2004, Postcomm agreed a compensation scheme for delayed mail. Although this does not fully cover all the areas that Postwatch proposed we believe larger compensation payments will be an incentive for Royal Mail Group to minimise delayed mail.

Through Postwatch's complaints function we secured compensation payments for customers across the UK. This is illustrated in the compensation and goodwill payments 2002 – 2004 (included in appendix 8). This also provides a regional breakdown to demonstrate the achievements made at local level.

6. Trade Associations

Postwatch holds regular bi-monthly meetings with Trade Associations (TA's) who represent some of Royal Mail Group's top 100 customers. This puts Postwatch in a position to liaise with this particular group of large customers discussing difficulties they may have with the postal system and bringing any complaint's, including super complaints, on their behalf. The TA forum allows Postwatch to (Terms of Reference included in appendices):

- lobby on behalf of members of the TA Forum;
- liaise with postal providers on their costs, charges and performance;
- increase the awareness of Postwatch's National Council and Regional Committees of the role of this sector and to receive feedback;
- provide an effective vehicle for dialogue with postal service providers for the benefit of all participants;
- raise licence breaches or issues of anti-competitive or unfair trading practices for action as appropriate by Postwatch; and
- provide relevant data in support of members grievances being pursued by Postwatch to third party arbitration.

This close interaction with Royal Mail Group's main customers, developing a close relationship and providing them with a resource to take their issues up with, puts Postwatch in an excellent position to bring super-complaints should the need arise.

Other Licensed Operators

As well as Royal Mail Group customers Postwatch also liaises with other operators in the market, this is becoming increasingly important as competition develops. This enables Postwatch to develop a wider knowledge of the postal market against the backdrop of market liberalisation.

7. Consumer Campaigns

Stamp Out Mis-delivered Mail Campaign

Due to the number of complaints Postwatch has received about lost/misdelivered items of mail we are undertaking a six-month 'stamp out mis-delivered mail' campaign to raise customer awareness. Postwatch expects this campaign, which began to make the addressee aware that their mail had been mis-delivered and encourage them to complain. We also expect it to encourage customers to act responsibly in re-posting mis-delivered items.

In the first week we took 6,000 calls about the campaign. Complaints about misdelivery to Postwatch went up 136%, complaints about lost letters to Postwatch went up 99%.

The campaign has to date forced a public apology by Adam Crozier, Chief Executive of Royal Mail Group and Patricia Hewitt, Trade and Industry Secretary. Shortly after, Adam Crozier was put personally in charge of the letters business (partly our campaign, partly Dispatches – the programme highlighting the problems at Royal Mail)

We featured prominently in 10 national newspapers. Peter Carr, Postwatch Chairman appeared on GMTV, Sky News, Channel 4 News, Channel 5 News, ITN lunchtime and evening news, and on BBC lunchtime and evening news. It also attracted widespread coverage in regional media.

Post Boxes

Royal Mail Group is making changes to the collection plates on its 116,000 pillar post boxes across the UK. Individual collection times are no longer displayed - only the *last* collection time of the day is given. Collections will be made throughout the day according to how much mail is put in the box and when it needs emptying. However, Royal Mail Group has stopped using the little metal tabs, which used to indicate the next collection time, so customers knew whether a particular collection had been made.

Now customers have no way of knowing whether the *last* collection of the day has taken place or not. We feel this is essential. When customers post a first class letter at the end of the day, they need to know if it can still be delivered the next day or not. The metal tab indicating whether the postman has made the last collection is simple, effective and easily understood. A tab indicating days of the week would let customers know whether they've missed that day's post or not.

The new collection plates also direct people to the nearest delivery office/mail centre where they will get a later collection than the one shown for that box. However in some cases, there are other post boxes with later collections much closer than these offices. Customers should be directed to the nearest later collection point, not the most convenient for Royal Mail Group.

We welcome the fact that the new collection plates now meet the requirements of the Disability Discrimination Act - this is essential. However, Royal Mail Group should not use this as an opportunity to introduce other, *non* customer-friendly measures which disadvantage postal users in other ways. Royal Mail Group has

also sadly done very little to explain these changes and why they are making them to their customers.

At the end of 2002, Royal Mail Group announced that it was making changes to the last collection times and to 116,000 pillar and post box collection plates nationwide. Postwatch wanted to establish the correctness of the information displayed and the importance of knowing if the last collection had been made. Postwatch therefore undertook research between August and October 2003 in 40 locations covering 8 of the Postwatch UK regions.

Postwatch's research proved that Royal Mail Group did not indicate to customers that it has carried out the last collection. It also showed that thousands of post boxes were emptied every day before the time shown for the last collection. In addition, this research also identified that over half of the boxes did not direct customers to the nearest post box with a later collection time.

Following the findings of Postwatch's research, we proposed that Royal Mail Group should indicate the next collection day, Royal Mail has now agreed to reinstate the tabs indicating the next collection day to the majority of postcode areas, (the rollout date for this is yet to be finalised). Postwatch is still negotiating with Royal Mail on the amount of information provided on collection plates, we are hoping for a favourable outcome.

Changes to pension payments at post offices

On 1 April 2003, the Government began making changes to the way it pays state pensions and benefits. It intends to gradually phase out the use of pension books and girocheques and replace this method with direct payments into bank accounts or new post office card accounts.

Postwatch has campaigned for customers to be given information that is clear, impartial and enables them to make an informed decision that is in their best interest. Our other chief concerns include the application process for the Post Office Card Account, which we think is onerous and confusing.

Due to this campaign, the Department for Work and Pensions (DWP), now issues a leaflet about the new arrangements and display posters in post offices. Postwatch welcomed this change but still felt the leaflets produced were short on information. We therefore commissioned NOP to undertake research on customer satisfaction on using the DWP call centre and their satisfaction with the literature received.

In addition, we campaigned for free and independent financial advice to be made available to enable customers to make an informed choice about which type of account to open. This has resulted in the Citizen Advice Bureaux now being fully briefed in order to advise customers accordingly.

Postwatch continues to bring these issues to the attention of those responsible for implementing the change and continues to raise awareness of how these changes will affect post office customers. We are contacting, meeting and briefing MP's, parliamentary committees, Post Office Limited, consumer representative groups, the postal Regulator and other stakeholders on the issues involved.

Withdrawal of Royal Mail Group services

In late 2003 Royal Mail announced that it would no longer offer the standard parcel service for items that weighed more than 20kg. This change would save it £1million a year.

In order to ensure customers were fully informed of this change (over a three month period before the proposed date as required in Royal Mail's licence), Postwatch undertook a survey at the beginning of January 2004. Postwatch's survey indicated that Royal Mail Group had not conducted an adequate publicity campaign; it identified that only 1.98% of post offices had posters displayed. Royal Mail Group therefore postponed the change till June 2004, instead of the original date of 1 April 2004 to ensure that customers were fully aware of the change.

Consultations

As a major consumer organisation Postwatch is regularly invited to participate in a wide range of consultations from government departments, the Regulator, and other consumer organisations. We have also undertaken a 'Twinning Light' project commissioned by the EU to assist in the development of Malta's regulatory regime for postal services.

Criterion 4

The body is ready and willing to co-operate with the Office of Fair Trading (OFT), and/or with any other authority, body or person having responsibility for responding to super-complaints. In particular, the body agrees to take account of any guidance issued by the OFT.

Postwatch confirms that it is ready and willing to co-operate with the OFT and with any other authority, body or person having responsibility for responding to a super-complaint, including taking account of guidance issued by the OFT.

Criterion 5

The fact that a body has a trading arm will not disqualify it from being designated provided that the trading arm does control the body, and any profits of the trading arm are only used to further the stated objectives of the body and the body has established procedures to ensure that any potential conflicts of interest are properly dealt with.

Postwatch can confirm that it does not have any trading arm therefore no conflict of interest exists in this area. Should a trading arm exist in the future, we undertake not to make a super-complaint about a market in which any trading arm we may have in the future has a commercial interest.

Postwatch formally undertake to notify the Secretary of State of any material changes to the information supplied which could be relevant to meeting any of the criteria.

Finally, we believe that Postwatch fully satisfies all the Secretary of State's criteria set out in section 11(6)(a) of the Act and we look forward to becoming a designated body able to bring super-complaints on behalf of consumers.

Yours sincerely,

Gregor McGregor
Chief Executive
Postwatch

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