

Royal Mail – Strictly Confidential

RMH(11)111

ROYAL MAIL HOLDINGS plc BOARD
COMPANY SECRETARY'S REPORT

1. Information Rights Update (FOI & DPA)

Information Commissioner and Information Tribunal Cases

In September the Information Commissioner issued a Decision Notice requiring Royal Mail to disclose anonymous data showing the total remuneration and pay bandings for the unnamed top 15 highest paid employees in 2007/08 and 2008/09.

Information Rights Casework Performance

Freedom of Information Requests

Month received	Percentage of FOI requests processed within 20 working days	Percentage of Internal Reviews processed within 40 working days
May 2011	100%	100%
Jun 2011	95%	100%
Jul 2011	100%	100%
Aug 2011	*98%	100%
Sep 2011	*100%	*100%
2011 (to date)	*97%	*100%

* includes some cases which are still in progress.

Data Protection Subject Access Requests

Month received	SAR Applications Received	Closed within 40 Calendar days	% Target Met
May 2011	20	20	100%
Jun 2011	13	13	100%
Jul 2011	16	16	100%
Aug 2011	13	13	100%
Sep 2011	16	16	100%
2011 (to date)	162*	156	*100%

* includes some cases which are still in progress.

2. Attacks, fraud, litigation

The regular reports on attacks against our people, and on major fraud and litigation cases, are at annexes A and B.

3. Governance

The updated membership of the Chief Executives Committee and the Group Executive Team is at Annex C.

**Jon Millidge
Company Secretary**

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October 2011

ANNEX A

CRIMINAL ATTACKS ON ROYAL MAIL GROUP PERSONNEL AND AGENTS

Numbers of robberies and physical assaults on RMG staff for the year to date are outlined in the table below.

	2009/10 P6	2010/11 P6	Variation	2011/12 P6	Variation
Royal Mail Robberies and attempted Robberies	29	12	-17	21	+9
Royal Mail Assaults	100(33)	97(20)	-3(-13)	65(29)	-32(+9)
PFWW Robberies & Assaults	4	10	+6	6	-4
POL Robberies and attempted Robberies	114	95	-19	51	-44

(= Causing harassment/alarm/distress)

Notes

- Robberies are successful robberies and attempted robberies
- Assaults are violence against the person. These exclude malicious communications, however, for 2009/10 onwards include verbal assault, intimidation and harassment resulting in higher totals than for previous years
- Royal Mail is Royal Mail only NOT Group
- The figures in brackets are the number of assaults which do not include verbal assault, intimidation and harassment

Details of **serious incidents** since the previous report, including those involving firearms, attacks on Cash in Transit crews and major cash losses are provided below:

Incident Reporting Period: Periods 5 and 6

Injuries Sustained to RMG Employees or Customers

2 August. Upper Holloway Delivery Office, London, N19. As the postman approached the Post Office in Hornsey Road to make a delivery, he was punched on the side of the face by one man who snatched the Special Delivery remittance pouch from him and ran off. The postman was taken to hospital and it was found that he had a hairline fracture to his skull. Following 2 weeks sick absence the postman returned to work and reassigned to light duties. The stolen remittance pouch contained £5,000 in cash within two SD items. Police enquiries continue.

1 September. East Belfast Delivery Office, Northern Ireland. A driver postman parked the RM vehicle in a car park by a shopping centre and went to the rear of the vehicle to obtain the items due for delivery. As he opened the rear doors, he was hit several times on the back of the head by one person before being bundled into the rear of the van. The robber proceeded to steal 9 Special Delivery items and normal mail before running away. The postman attended hospital for a check up and was released later that day.

16 September. Winchmore Hill and Palmers Green Delivery Office, London, N21. A postman on delivery heard an elderly member of the public shouting for help as his house was being burgled. As the postman went to assist, four men ran from the house and one of them hit the postman in the face causing a split lip.

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Suspect Package Incidents

During Periods 5 and 6, a total of twenty five suspect packet incidents were recorded in accordance with the “Be aware stay calm” process. Following initial risk assessment twenty one incidents were classed as neither suspicious nor malicious. Four packets were identified as deliberate hoaxes and are the subject of police investigations, with none harmful to staff minimum disruption caused.

Recoveries

During Period 5, Royal Mail Security successfully concluded sixteen prosecutions and recovered a total of £13,000 to the Business, which brings the total recoveries Year to Date to £70,000.

During Period 6, Royal Mail Security successfully concluded twenty six prosecutions and recovered a total of £26,000 to the Business, which brings the total recoveries Year to Date to £96,000.

Note: Recovery costs include Compensation, Proceeds of Crime Act and Investigation costs.

Large Cash losses

There were 4 high cash loss incidents in the Post Office Network where amounts over £10,000 were taken. The total amount of identified cash loss is £154,443.43 plus stock at £13,785.03.

Incident	Date	Office	Cash Loss	Stock
ATM Ram Raid	9 August	Northborough Road, Streatham	£34,790.00	
Burglary	10 August	Brandlesholme SPSO, Bury	£86,870.55	£13,785.03
Armed Robbery	15 August	Ryton on Dunsmore SPSO, Coventry	£21,317.71	
Robbery	2 September	Fallowfield Sub Post Office	11,465.17	

Although the sub postmistress was tied up during the Ryton on Dunsmore incident and received minor bruising to her arms and legs, there were no other injuries sustained during any of the incidents detailed above.

During the incident at Fallowfield Sub Post Office, a CiT delivery officer was threatened and cash stolen – further details at the section entitled Cash in Transit.

Cash In Transit

There were 5 incidents in total during the reporting period with three of these incidents resulting in a cash loss of £28,897.59. One of the incidents was an attempted snatch and further details in relation to two of the incidents are detailed below.

2 September. Fallowfield Post Office. Three men entered the secure area after threatening the counter assistant and waited for the CiT delivery. As the CiT delivery officer entered the secure area, one man threatened to douse him in petrol if he didn't hand over the iBox containing £1,000. The iBox together with working cash from the Post Office was stolen before the men fled the office.

2 September. Farringdon Road Crown Office, London, EC1. The CiT escort had collected

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several bags from the office when he returned to make further collections. As he approached the siphon door, he was confronted by one man brandishing a large knife. The escort stood back and the suspect entered the siphoned area and grabbed 3 RM sacks containing Special Delivery items before fleeing the office to a waiting vehicle. Although both the Post Office staff and the CiT crew member were shaken, there were no injuries sustained during the incident. The three stolen SD sacks contained 62 items with a compensation loss potential of £155,000. Police enquiries continue.

Audit Shortages

Since the last report, audit activity across the Post Office network has identified shortages at 13 branches totalling £162,124.63. Of the total shortage amount, £ 27,279.35 has been recovered and 7 members of staff have been suspended pending further investigation. These figures are likely to increase as one office, Bruce Grove, suffered a fire destroying information and the audit shortage figure is yet to be determined.

Other Incidents to Note

7 September. Milltown Sub Post Office, Belfast. An attempt to obtain cash from the office by staging a hoax hostage situation was safely resolved without any injuries or cash losses.

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ANNEX B

MAJOR THEFT and SERIOUS FRAUD CASES

New Cases Raised		
Short Name Date Opened	Description	Status
Bacup August 2011	<i>Major intentional delay of over 10,000 postal packets dating back to 2006.</i>	1 RM Offender [REDACTED] GRO [REDACTED] arrested by Police on 30 th August. Released from bail pending legal services advice on charges. To proceed by summons.
Warrington September 2011	<i>Major theft of mail bags. Theft of Special Delivery items (mostly containing jewellery) since 2010.</i>	1 RM Offender Driver [REDACTED] GRO [REDACTED] Apprehended on 9 th September 2011 following a testing and surveillance operation by RM investigators. 2 mail bags recovered containing 45 SD items. No comment interview. File being prepared for submission to Criminal Law Team, Legal Services. [REDACTED] GRO [REDACTED] bailed to return to Runcorn Police Station on 25 th November 2011.
Oldham September 2011	<i>Major theft and intentional delay of postal packets. Over 30,000 items of mail</i>	1 RM Offender [REDACTED] GRO [REDACTED] apprehended on 13 th September following a testing and surveillance operation. Case subject to Legal Services advice around suitable charges. To proceed by summons.
Edgware October 2011	<i>Revenue Fraud, major evasion of postage, estimated at up to £300k</i>	2 x External suspects [REDACTED] GRO [REDACTED] Directors of company [REDACTED] GRO [REDACTED] who have posted Special Delivery items for 2 years through a Branch Office without being invoiced by RM. Arrested on 3 rd October 2011. Bailed to return to Police station on 24 th January 2012. RM prosecution.

Cases Concluded		
Sandhurst September 2010	Major theft and intentional delay. Over 60,000 postal packets and a further 20,000 door to door items recovered including 32,500 damaged and over 500 mistreated, with contents missing.	1 x RM Offender [REDACTED] GRO [REDACTED] GRO charged with theft and appeared at Maidenhead on 29 th November 2010. Case committed to Reading Crown Court for plea and direction hearing on 9 th March 2011. Case postponed to 23 rd March 2011. Not Guilty plea entered. Case warned for Trial at Reading Crown Court w/c 23 rd May 2011. Withdrawn from Warned List as Defence have requested psychological report. Case adjourned until 14 th July 2011. [REDACTED] GRO [REDACTED] pleaded guilty to all charges and case adjourned to 22 nd August for sentencing, then

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		further adjourned to 19 th September. Sentenced to 16 months imprisonment at Reading Crown Court 27th September 2011.
Greenford March 2011	Major theft of mail bags -7 containing 250 special delivery items. Cash, jewellery etc	1 x RM Suspect GRO Further interviewed. Admissions to theft of £22k worth of rings and a £2.5 k Cartier watch in addition to cash. Case with Legal Services for advice regarding charges. Sentenced to 18 months imprisonment at Isleworth Crown Court on 16th September 2011.
Erith DO Kent MAY 2011	Theft of Company cheques and subsequent fraud.	1 x RM suspect GRO apprehended following RM surveillance operation. 13 plastic cards and cheque-books recovered during search. Individual arrested and bailed to return to Bexleyheath Police Station on 2 nd August. GRO pleaded guilty to 5 offences of theft at Bexley Magistrates Court on 12 th August and was referred to Woolwich Crown Court for sentencing on a date to be confirmed. Received a sentence of 9 months imprisonment, suspended for 2 years together with 200 hours unpaid Community work and £3600 costs.

Update to Previously Reported Cases		
Short Name Date Opened	Description	Status
Darlington June 2011	Major theft of 6 mail bags including 123 Special Delivery postal packets, most of which contained passport applications destined for IPS Durham.	2 Offenders, 1 agency driver and 1 outsider arrested and interviewed on 2 nd August 11. Predominantly no comment interviews. Bailed to return to Barnsley Police Station on 13 th September 2011. Both suspects charged with conspiracy to steal and case committed to Crown Court. First appearance on 4th October. No pleas entered. Next hearing in December 2011, date to be confirmed.
Weston-Super-Mare July 2011	Delivery Officer in conspiracy to commit burglary and theft by providing criminals with the details of "Keepsafe" customers away on holiday.	1 x RM offender GRO Case heard at W-s-M Magistrates Court on 11 th August 2011 when no plea entered and committed to Bristol Crown Court for a date tbn. No change
East London Mail Centre	Major theft of Special Delivery items containing currency-value £39k.	1 x RM offender GRO Charged with 3 counts of theft. First appearance 22 nd August 2011 at South London Magistrates Court. Case committed to Crown Court. Plea and Case Management hearing on date in November 2011, to be notified.

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Delta Data November 2010	A number of external individuals trading as 'Sole Traders' or using 'Trading Entities' and or mailing house type companies defrauded end customers by means of understating contract values. Additionally attempts were made to defraud RM by way of understating postings, producing fraudulent POL receipts in an attempt to gain monetary rebates on stamped postings and attempting to introduce high volumes of unpaid for mail into the pipeline. The value of loss to Royal Mail at this stage this unknown. However, during the period August and November 2010 whilst the joint Police/RM Investigation was progressing, the RP/investigation activity prevented Royal Mail losing at least a further £115K through fraud to these individuals.	7 external offenders arrested on the 17/11/10 by police on suspicion of conspiring to commit fraud and money laundering. All bailed to re-attend Swindon Police Station on the 26 th January 2011. On answering bail 4 persons were charged with, 'Conspiracy to Defraud' and 'Money Laundering'. Other charges have been offered in relation to non Royal Mail matters. The 4 who are charged are due to appear at Swindon Magistrates on 25/2/11. Given that this is a Conspiracy it will be an immediate committal to the Crown Court. All 4 Defendants have yet to enter a plea and are next due to appear at Crown Court on 17 th June 2011. A hearing took place on the 29 th July 2011 at Winchester Crown Court where [REDACTED] GRO [REDACTED] GRO [REDACTED] appeared. They entered NOT GUILTY pleas and a 4 week trial has been fixed to commence on the 13 th February 2012 at Winchester Crown Court. No change.
Belfast: National Return Letter Centre January 2011	Theft of mobile phones, prescription drugs and miscellaneous.	5 x RM Suspects: [REDACTED] GRO Suspect identified stealing mobile phones in full view of immediate colleagues, some of whom later attempted to discard stolen property and/or conceal their colleague's theft. Several admissions in interview and additional property recovered. 3 suspects will not face prosecution. Awaiting prosecution decision by Public Prosecution Service (PPS NI) on remaining 2. All 5 have been dismissed from RM. No change.
Ipswich August 2010	Theft of Special Delivery Items containing currency from the Priority Service Enclosure.	1 x RM Suspect: [REDACTED] GRO Apprehended following theft of an SD item. Subsequent enquiries into numerous previous losses have led to 2 money laundering charges drafted under the Proceeds of Crime Act 2002 in the region c50K and a further charge of theft. To be charged on return from bail in February 2011 and restraining orders to be applied for. [REDACTED] GRO has been charged with 1 charge of theft and 2 charges of money laundering. At the first appearance at Ipswich Magistrates Court on 11 th April, the case was referred to the Crown Court and the hearing has been scheduled for 13 th June 2011 Plea and Direction hearing set for 23 rd September 2011. Likely not guilty plea and trial in December 2011. No change
West Central Delivery Office	Major theft of DVDs, home shopping items, mobile telephones, cash, Government	1 x RM Suspect [REDACTED] GRO Arrested by Police following a RM surveillance operation.

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London February 2011	cheques, credit and debit cards, PIN Numbers and 141 chequebooks.	Bailed to return to Belgravia Police Station on 10 th May 2011. Further interviewed. Police bail until 2 nd August when it is envisaged he will be charged. Charged with 12 offences of theft and interference with the mail. At the City of Westminster Magistrates Court on 30 th August 2011 the case was adjourned for committal to Crown Court on the 11 th October. No change
Coatbridge February 2011	Major theft and intentional delay. Over 12k items of mail dating back to 2005 recovered from OPGs home address and further mail bags recovered that had degraded to an extent that mail was unidentifiable and unquantifiable.	1 x RM Suspect GRO Apprehended following a RM operation. Case with Procurator Fiscal. Prosecution ongoing. All mail including water damaged items now delivered with apology. No change.
Finchley Church End N3 March 2011	Major theft of company cheques (loss in excess of £350k)	1 RM suspect GRO Employed as an agency casual using alias GRO Apprehended following RM surveillance operation. Subsequently found to be a full time employee of Parcelforce under the alias of GRO Bailed to return to Colindale Police Station on 10 th May 2011. Bailed to return to Colindale Police Station on 20 th June 2011. Charged with number of theft offences and next appearance at Hendon Magistrates Court on 3 rd September for committal to Crown Court. Case adjourned to Woolwich Crown Court for Plea and Directions hearing on 12th October 2011.
Birmingham MC May 2011	Major theft of chequebooks (RBS, Lloyds etc)- loss in excess of 500 books in 2011.	1 x RM suspect GRO Apprehended following RM surveillance operation. Arrested and interviewed on 27 th May 2011. Linked to major fraudulent cheque enquiry being investigated by West Midland Police Economic Crime Unit. Case will be led by Police and prosecuted by Crown Prosecution Service. GRO answering Police bail w/c 22/8/11 when he is expected to be charged with theft of cheque books and remanded in custody, awaiting trial, due to risk of flight – further bailed until 2 nd November. No change
Plaistow DO London E13 May 2011	Major theft of mail (Home Shopping, Financials) and intentional delay and dumping. Estimated 15,000	1 x RM suspect GRO Apprehended following RM surveillance operation on 19 th MAY. Case to be forwarded to Legal Services for advice on charges. To proceed by summons. 2 theft charges advised by Legal Services. Summons being applied for. No change
Southwark DO London SE1	Theft of Company cheques. Known fraud in excess of £64k	1 x RM suspect GRO apprehended following RM surveillance operation on 20 th May. 35 items found in boot of car. Individual arrested and bailed to return to Walworth Police

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May 2011		Station on 29 th July 2011. GRO appeared at South West Magistrates Court on 5 th August 2011, where the case was adjourned until 30 th September 2011 for committal papers to be prepared. Case adjourned to 2nd November 2011 for Plea and Direction Hearing.
Stafford June 2011	Fraud-Fraudulent use of Smart Stamp product. Duplicate impressions affixed to postal packets by a model and hobbies company-Wheelspin. Items going abroad. Almost 500 items with an individual revenue value ranging from £5 to £22. Estimated fraud in excess of £6k.	2 x Company Directors arrested and interviewed and premises searched under warrant. Computers seized. Both bailed to return to Watling House Police Station on 27 th September 2011. Follow-up enquiries almost complete and Criminal Legal advice being sought. Suspects further bailed to 15th November 2011.

MATERIAL LITIGATION

Short Name Date Opened	Description	Status – this month's update in bold italics
CWU/POL Protective award claim Nov 2007	This matter relates to claims by the CWU in respect of W H Smith conversions that TUPE information and consultation obligations have not been complied with by POL	In August 2011 the Employment Tribunal found in favour of Royal Mail in that it had not breached the requirements to inform and consult in accordance with the requirements of TUPE in relation to Post Offices which had been franchised to WH Smiths. Oct 2011: Case concluded – no change. This item will therefore be removed from the next report.
BT Occupational Disease Test Case – Nov 2008	BT have claimed, as a test case, an indemnity/contribution in relation to an asbestos claim settled for £119,000 together with a declaration that liability to compensate telecom employees who ceased employment by The Post Office Corporation prior to 1 October 1981 (appointed date under the British Telecommunications Act 1981) rests with Royal Mail. Liability in relation to these ex – employees concerns mainly the contracting of asbestos related diseases as well as some industrial deafness cases. Some asbestos related diseases (such as mesothelioma) have a	1. BT succeeded in this case in the Court of Appeal and RMG was refused leave to appeal to the Supreme Court in February 2011. This case is now therefore concluded. RMG retained auditors, Towers Watson, their best estimate of the potential for industrial diseases claims against Royal Mail as circa £75m (unadjusted for the time value of money). Using a discount rate of 5% as a proxy for the risk free rate (based on government bond rates for the term of the provision), a provision of £30m has been raised at the year end. This will be reassessed on an annual basis as Royal Mail gains more experience of the level of claims received. Oct 2011: Provisions in the accounts will continue to be made (and will be revisited) and the discount will be unwound going forward. As the test case litigation has concluded, this item will be removed from the next report.

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	particularly long period between the exposure and the development of the disease (the disease takes 15 to 20 years to develop, the amount of time between exposure and development is between 8 and 50 years). The heaviest period of exposure was between 1955 and 1975. We have received 80 cases since 2001.	
Amazon – October 2011	Amazon has claimed that Royal Mail over charged it for 16 months (from 1 April 2010 to 31 July 2011) by £7.2m.	3. Oct 2011: Although litigation has been threatened, Amazon has not yet issued a legal claim and settlement discussions are underway.
Manpower – October 2010	A routine audit of contractual compliance in 2010 revealed serious problems with Manpower's charging practices. The amount of the claim is up to £24m, although certain heads of claim are stronger than others.	4. Oct 2011: A mediation will take place on 11 October. If a settlement is not reached at the mediation we will use the next few months to seek the best possible settlement offer. If an acceptable deal is not achieved we will seek authority to issue Court proceedings after the critical Christmas period.
High St Kensington November 2010	RMG sold this property for £20m in 2008. It transpired that the purchaser had not been incorporated at the time of sale: it is not bound to purchase the property and refuses to do so at this price. We seek specific performance / damages of c.£8m from Maples Teesdale solicitors, who signed the contract on the purchaser's behalf.	5. Oct 11: Maples Teesdale have refused to pay the deposit or complete the purchase. We have prepared a letter before action as a final step before issuing Court proceedings. We will attempt to settle this claim before proceedings are issued.
Horizon claims – August 2011	8. We have received four letters before action from a firm acting for former subpostmasters who were dismissed when discrepancies between their branch accounts and cash positions were discovered. Two of the claimants previously pleaded guilty to false accounting in criminal prosecutions brought by POL. 9. Each claimant alleges wrongful termination of contract (based on alleged failings in POL's processes and computer system) and seeks c.£150k in damages. We may receive a large number of similar claims - possibly between	10. Oct 11: The key legal issues arising are common to all the claims but the factual allegations are different. Our strategy is to defend each claim robustly to deter future claims and we will be responding to each in full. At present we consider the legal claims to be weak and the damages claims to be inflated.

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9.	55 and 150 according to press reports.	
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