



Decision on changes to the Access Service Request Process

20th June 2019

Executive Summary

1. **This document sets out Royal Mail's new approach to managing requests for new access services.** This has been a collaborative process with insights and views drawn from our access customers and our own experience to date. We have kept our regulator Ofcom informed throughout the process. We believe the reforms we are putting in place from today will ensure that the new and improved process remains fit-for-purpose for the foreseeable future.
2. **We have been engaging with access customers on making changes to the process since late 2017.** In our first consultation, we identified four aspects of the framework that could be improved. These were:
 - *Information* – Royal Mail should provide clearer guidance on what information is necessary to enable customers to complete the new access service request application appropriately.
 - *Process* – There should be more structure to the process. It should identify key relevant steps and their respective objective. It should ensure the process is timely.
 - *Engagement* – There should be formalised, predictable set-piece engagement points throughout the process to enable effective scrutiny of the details and an exchange of views.
 - *Cost recovery* – Royal Mail reserves the right to recover reasonable costs. There should therefore be clear guidance on possible approaches Royal Mail would apply to cost recovery. In particular, this should set out the principles we will consider when determining any cost recovery mechanism and payback period.
3. We issued our first consultation in November 2017. Following feedback from customers, we decided not to progress with the initial proposals. Instead, we held two workshops in the summer and autumn 2018 to discuss customer feedback in the round and summarise the key themes. **We issued our revised consultation in January 2019 with our proposals divided into two main categories:**
 - *On process*, we proposed to introduce an eight stage Gateway approach to manage new service requests. We also put forwards proposals on engagement, information and timelines.
 - *On cost recovery*, we proposed to apply a principles-based approach when determining a fair and reasonable cost recovery mechanism. We proposed to recover reasonable external scoping cost incurred from stage 4 (Detailed scoping). We also proposed to recover reasonable external costs and some internal costs from stage 6 (Product development) onwards.
4. **Customers were supportive of all six proposals on the process. We are therefore implementing these process reforms in full.** We believe adopting the Gateway approach should allow for requests to be developed in a collaborative, structured and dynamic manner. Our access customers agree.
5. In terms of our proposals on cost recovery, there was not the same level of support. Our engagement has highlighted that there is a difference in view between access customers and Royal Mail on the right approach. These differences centre on the types of scoping and development cost Royal Mail would and would not seek to recover.
6. **We are committed to continued development of the access market.** We want to ensure that our approach to cost recovery is both fair and reasonable. We also want to minimise the financial barriers our customers face in coming forward with new access service ideas and products. Having

listened and reflected carefully on the feedback, **we are making two significant departures from our January 2019 proposals to address these affordability concerns:**

- **First, we have decided to establish a £500k annual scoping fund.** This will cover the first £500k of external scoping costs incurred up until the end of stage 5 each financial year. This fund can be used across multiple requests.
 - **Second, we will fund all internal costs throughout the entire scoping and development process.** The only cost that Royal Mail may therefore seek to recover is external cost during the product development stage. Whether we would seek to recover this cost – and the mechanism used – will be influenced by the six cost recovery principles.
7. We believe that agreeing to fund costs during the scoping phase will lower barriers to new requests and encourage new ideas from access customers. It will mean **customers are supported in putting together their business case for a potential new product, without having to commit to any financial outlay.** By the end of the scoping phase, customers should have sufficient information to have a well-informed view on the likely merits for the new product.
8. **In terms of next steps, the new process will come into effect immediately. We will also be holding a familiarisation briefings with customers.** The aim of this briefing is to set out the details of our decision and enable them to start taking advantage of the benefits of the new approach as soon as possible. A date will be issued shortly. We would like to thank customers for their engagement in developing the new framework.

Chapter 1 - Introduction

Background

- 1.1. In January 2019, Royal Mail consulted on making changes to the process we follow when responding to Access new service requests.¹ This document outlines our decision on the new framework and explains the rationale behind the changes. **This new framework will come into effect immediately.**
- 1.2. Under the Universal Service Provider Access Condition 4 (USPA 4), **Royal Mail is required to have a process that we must apply in responding to requests for new D+2 and later than D+2 Letter and Large Letter services.** We are required to keep our process under review and consult before making any amendments.² We are also required to respond to reasonable information requests from customers considering making a new service request.
- 1.3. It is important that the New Service Request process remains fit-for-purpose in **meeting the needs of customers and Royal Mail.** Ofcom supported a review of the process, as indicated in its March 2017 Decision on the Review of Regulation of Royal Mail.³ Ensuring the framework remains fit-for-purpose in meeting the needs of customers and Royal Mail forms part of our wider **Access strategy.** We want to continue to develop customer-focused products that respond to specific end customer needs in a timely way. We also want to reduce supply chain costs through collaborating on initiatives that reduce processing, logistics and administration costs throughout the supply chain.

Engagement

- 1.4. We consulted on a number of changes to update the framework in November 2017. Following the extent and variety of customer feedback, we placed the proposals on hold. Over the spring and summer of 2018, we held a series of bilateral meetings with customers, as well as two workshops. This engagement provided an opportunity to better understand the points raised.
- 1.5. We issued a second consultation in January 2019. Further details on the steps preceding this Decision document can be found in Section B of the January 2019 Consultation. We received seven responses, from CFH Docmail, Citipost, DX, Onepost, Secured Mail, UK Mail and Whistl. The engagement with customers throughout provided us a rich volume of feedback. We have listened carefully to the views and suggestions put forward. These have informed our Decision.

Structure of document

- 1.6. The remainder of this document is split into four chapters.
 - Chapters 2 and 3 focus on the process and cost recovery aspects of the framework respectively. Each section summarises customers' responses to our January 2019 Consultation, then sets out Royal Mail's position on each of the points raised and the reasoning supporting our decision.

¹ Royal Mail, "Consultation on changes to the Access Service Request Process", January 2019

² We follow a separate process for managing variations to access contracts. It is outside the scope of this review and will remain in place.

³ Ofcom, Review of the Regulation of Royal Mail, March 2017, Para 5.64 - "We consider that there is now an opportunity, based on the experience of recent access product requests, for Royal Mail to carry out such a review in order to ensure the process functions effectively for both Royal Mail and access operators."

- Chapter 4 sets out our final Decision on the framework. This is intended to act as a reference guide for customers in future new service requests.
- Chapter 5 outlines next steps.
- Annex A includes worked examples of how the cost recovery principles have in the past been applied in practice.
- Annex B includes the new application form.

Chapter 2 – Process – A new Gateway approach to responding to requests

Customers were supportive of the Gateway approach proposed in our January 2019 Consultation. We will therefore implement the changes to the process in full. We believe adopting this approach should allow requests to be developed in a collaborative, structured and dynamic manner.

2.1. In this section, we summarise the views expressed by customers in their consultation responses regarding process. We then set out Royal Mail's position on the points raised and the reasoning underpinning our decision. The entire process for new service requests can be found in Chapter 4.

Customer views

2.2. All responses were supportive of the changes to the process proposed in questions 1 to 6 of the January 2019 Consultation. The six proposed changes were:

- **Gateway approach** – Introduce an eight stage Gateway approach to manage new service requests.
- **Individual or joint request** – Formal mechanism to allow the requesting customer to decide whether a request is developed individually or jointly with the industry.
- **Engagement** – Hold frequent engagement throughout the stages, using regular face-to-face engagement and mobilising pop-up groups as needed.
- **Information** – Improve the Access application form and guidance to support speedier completion of the request and better service specification.
- **Bespoke timeline** – The customer and Royal Mail would agree bespoke timelines for responding to each request.
- **Backstop timeline** – Maintain a backstop 13-week timeline for responding.

2.3. Further points were raised by CFH Docmail, Whistl and UK Mail. CFH Docmail suggested adding **two further stages** to the Gateway approach. They suggested including a full de-brief one quarter after implementation to measure success or failure. They also suggested introducing a process for periodic measurement of the new service against the scope. UK Mail and Whistl expressed that more **clarity is needed on retaining confidentiality in joint requests**.

Royal Mail's position and decision

2.4. Below we set out our position on each of the points access customers raised. We also set out the decision we are making.

Gateway process

2.5. We welcome that customers were supportive of the six proposed changes to the process. They have been achieved through constructive engagement between customers and Royal Mail. We believe these changes will help future requests be developed in a collaborative and structured manner. We will therefore **implement the eight stage Gateway process in full**.

Individual points raised

- 2.6. Regarding CFH Docmail's suggestion to introduce two further stages, we recognise it is important to review the product following its launch and continue to monitor ongoing performance. We believe that this can be undertaken in the usual channels through Account Directors' regular monthly performance reporting. These regular catch-ups between customers and Royal Mail provide the opportunity to discuss all aspects of product performance, including new products. These tasks can be embedded into regular BAU activities, rather than introducing two additional stages into the product new service request process.
- 2.7. UK Mail and Whistl sought further clarity on confidentiality in joint requests. We recognise that in joint applications customers may want to retain confidentiality. Royal Mail maintains it will **not share requests with other Access customers unless asked**. This principle applies to both individual and joint requests.

Chapter 3 – Cost Recovery – New principles and funding to support requests

We recognise from our engagement that there is a difference in view between access customers and Royal Mail on the approach to cost recovery. These differences centre on the types of scoping and development cost Royal Mail would and would not seek to recover. We have tried to find a practical solution to acknowledge customers' affordability concerns and **are making two significant departures from our January 2019 proposals:**

- **First, we have decided to establish a £500k annual scoping fund.** This will cover the first £500k of external scoping costs incurred up until the end of stage 5 each financial year. This fund can be used across multiple requests.
- **Second, we will fund all internal costs throughout the entire scoping and development process.** The only cost that Royal Mail may therefore seek to recover is external cost during the product development stage. Whether we would seek to recover this cost – and the mechanism used – will be influenced by the six cost recovery principles.

We believe that agreeing to fund cost during the scoping phase will lower barriers to new requests and encourage new ideas from access customers. It will mean **customers are supported in putting together their business case for a potential new product, without having to commit to any financial outlay.** By the end of the scoping phase, customers should have sufficient information to have a well-informed view on the likely merits of the new product.

3.1. In this section, we summarise the views expressed by customers in their consultation responses regarding cost recovery. We then set out Royal Mail's position on the points raised and the reasoning underpinning our decision. The entire process for new service requests can be found in Chapter 4.

Customers' views

3.2. There were a number of similarities across customers' responses. Customers were not supportive of the two aspects to cost recovery proposed in the January 2019 Consultation:

- **The types of scoping and development costs** Royal Mail would and would not seek to recover during a new service request.
- **The six principles** that we proposed to follow to determine the mechanism for cost recovery.⁴

3.3. Three broad themes emerged across the majority of customers' responses:

- **Royal Mail should fund the cost of developing new service requests in the mandated area.** It is Royal Mail's responsibility to provide mandated services when they are requested. Any cost to develop the services should therefore form part of the cost of Royal Mail's Wholesale business.
- **Customers would not be able to afford development cost.** If all development costs are recovered from the requestor, then new service developments will be uneconomic in most cases. Customers with relatively small turnover would be prevented from coming forwards with ideas if cost were split. This would mean there would be no take up of the NSR process if the measures were introduced.

⁴ The six principles are set out in paragraph 4.40.

- **Cost should be recovered through access prices.** Royal Mail should build any development cost into its commercial prices. This is the approach Royal Mail has adopted in the past.
- 3.4. In addition, both Whistl and UK Mail noted that there are some further costs stemming from Royal Mail's own **development decisions and the regulated environment** in which they operate. Where these costs arise, Royal Mail should be required to remedy them at its own expense. Whistl and UK Mail also set out the **difference in product developments between retail and wholesale**. Specifically, retail can develop single-operator solutions whereas wholesale require multi-operator solutions. They noted that Royal Mail should develop a wholesale equivalent when developing a retail service.

Royal Mail's position and decision

- 3.5. Below we set out our position on each of the points access customers raised. We also set out the decision we are making.

Royal Mail should fund development cost in the mandated area

- 3.6. The investment required to scope and develop a new product can be material. The framework that has been in place has provided limited guidance to customers on our approach to recovering scoping and development cost. There is no guidance on the types of cost that might be recovered nor the mechanism that might be used. We therefore proposed to introduce a principles-based approach to determine a fair and reasonable approach to cost recovery. In particular, it set out which costs we would – and would not – seek to recover. It also proposed six cost recovery principles.
- 3.7. Royal Mail maintains that a new service request falling within the scope of the access mandation **should not automatically mean Royal Mail is required to bear all associated scoping and development cost**. For example, a request might require cost which is a direct result of the service being requested and would not otherwise be incurred. We believe that cost recovery should be considered on a case-by-case basis in each request, no pre-judgement on the scope or mechanism.
- 3.8. Ofcom has used principles when assessing cost recovery for investments undertaken by BT.⁵ The six principles we proposed have been informed by them. We made some changes to make the principles more relevant to the new service request process.⁶ We also note that our application of these principles may differ from the approach taken by Ofcom. We brought the six principles to life with four cost recovery worked examples, see Annex A. These showed how the principles have applied in practice in previous product developments. These demonstrate that there have been instances in the past where Royal Mail has funded scoping and development cost. For example, Mailmark and the recent Magazine Subscription service.
- 3.9. **We believe that introducing principles to determine a fair and reasonable approach to cost recovery will provide some guidance where previously there was none.** We maintain that this is a helpful improvement on the framework that has been in place. Using Ofcom's principles represents a balanced, tried and tested approach. It may result in occasions where Royal Mail would

⁵ For example, Ofcom, Porting charges under General Condition 18, September 2014. Para 4.16.

⁶ In particular, we did not include Ofcom's principle of reciprocity, where services are provided reciprocally, charges should also be reciprocal. The characteristics of the postal sector mean it is unlikely the principle would be needed. We introduced the level of risk, which is not one of the principles relied on by Ofcom. We proposed some differences in drafting and/or provided further guidance on the remaining principles – cost causation, distribution of benefits, cost minimisation, practicability and competition – but note the broad sentiment remains intact.

fund development cost, as illustrated in the cost recovery worked examples. We will therefore adopt a principles-based approach to assess cost recovery in the updated new service request framework.

Customers would not be able to afford development cost

- 3.10. Customers expressed that they would not be able to afford development cost and that, in particular, smaller customers would be prevented from coming forwards with new ideas. In our January 2019 Consultation, we proposed to fund all costs in stages 1 to 3 and internal costs during stages 4 and 5. We proposed that the six principles would be used to inform whether we would recover external scoping cost during the scoping and development phase (stages 4 onwards) and additional internal cost in the product development phase (stages 6 onwards).
- 3.11. We recognise that introducing new products may benefit the whole market – access customers and Royal Mail alike. In particular, introducing new products to better cater for posting customers’ needs may help reduce the overall rate of letter volume decline. We are aware that in some cases the cost to scope and develop a new product could be significant. We acknowledge the concern customers expressed in their consultation responses. In particular, customers’ concern about affording scoping and development cost. Royal Mail remains committed to continued development of the access market. We want to ensure barriers are minimised to customers coming forward with ideas and developing potential new products.
- 3.12. Having listened and reflected on customers’ feedback, **we have decided to extend our funding commitment. We will establish a £500k annual scoping fund. This will cover the first £500k of external scoping cost – incurred up until the end of stage 5 – each financial year.** This fund can be used across multiple requests. We will **also agree to fund all internal cost** through the whole scoping and development process, up until stage 7.
- 3.13. **Royal Mail may therefore only seek to recover external cost during the product development phase, in stages 6 and 7.** Whether Royal Mail would seek to recover external cost during the development phase would be guided by the six principles. We would look at each new service request on a case-by-case basis, with no pre-judgement on the approach to cost recovery.
- 3.14. We believe establishing a £500k annual scoping fund should be sufficient to cover external scoping cost for the vast majority of new service requests. Should an individual request span multiple financial years, Royal Mail would fund the first £500k of the request.⁷ If the external scoping cost in a particular year or for a particular request was going to exceed the £500k threshold, Royal Mail may need to speak to the access customer to determine funding arrangements. There may be circumstances where Royal Mail would continue to fund external scoping cost over and above £500k.
- 3.15. We believe that agreeing to fund cost during the scoping phase will lower barriers to new requests and encourage new ideas from access customers. It will mean **customers are supported in putting together their business case for a potential new product, without having to commit to any financial outlay.** By the end of the scoping phase, customers should have sufficient information to have a well-informed view on the likely merits for the new product. This should enable customers

⁷ For example, if a customer submits a request in February and £200k external scoping cost is spent before the end of the first financial year, £300k – rather than a full annual scoping fund allowance of £500k – would be available towards scoping the request in the second financial year. Any spending in the second year would be deducted from the second year’s £500k annual scoping fund allowance. Therefore, if £100k was spent to scope the request in the second year, £400k would remain in the annual scoping fund to scope other requests.

to determine - should development cost be required - the potential benefit to them of this investment.

3.16. We believe establishing an annual scoping fund strikes the right balance between supporting customers to develop ideas while minimising the risk of stranded investment. We would expect the costs to be borne as follows:

	RM Internal Cost (Wholesale and Group)	RM Internal Cost (Additional activity)⁸	External cost	
1- Initiation of request			within scope of £500k	
2 - Concept design	Royal Mail	Royal Mail	Royal Mail	Scoping cost
3 - Initial scoping				
4 - Detailed scoping				
5 - Review Heads of Terms and prices	Royal Mail	Royal Mail	Customer Royal Mail	Scoping cost
6 - Product development phase	Royal Mail	Customer Royal Mail	Royal Mail or Customer	Development cost
7 - Product testing			<i>guided by six principles.</i>	

Key: Grey within scope of £500k annual scoping fund.

Note: ~~Strikethrough~~ represents changes in position relative to the January 2019 consultation

3.17. In the January 2019 Consultation proposals, the stages within the gateway process – and in particular stages 3 and 5 – were designed to ensure customers were made aware of any cost that may be passed through to them before that cost is incurred. These gateways were designed to be a financial go/no go decision point for the customer. As explained above, Royal Mail is now establishing a £500k annual scoping fund and funding all cost for internal activity up until the end of stage 7. As a result of this change, we considered whether there were opportunities to simplify the stages and gateways.

3.18. We think there are benefits in keeping the stages as proposed in the January 2019 Consultation. Firstly, we believe each of the stages and deliverables help facilitate an ongoing dialogue between the customer and Royal Mail at key milestones during the scoping and development phases. Secondly, should the external scoping cost exceed the £500k annual scoping fund threshold or £500k threshold for an individual request, Royal Mail may need to speak to the access customer to determine funding arrangements. As such, there may be circumstances where gateway 3 remains a financial go/no go decision point for the customer. We will therefore retain all of the stages proposed in our January 2019 Consultation.

⁸ This could include activity with internal teams outside of Consumer and Network Access, such as our Operations or IT teams.

Decision 1: Royal Mail will establish a £500k annual scoping fund. This will cover the first £500k of external scoping cost incurred up until the end of stage 5 each financial year. We will also agree to fund all internal cost through the whole process up until stage 7. The only cost that Royal Mail may therefore seek to recover is external cost during the product development phase. Should a new service request span multiple financial years, Royal Mail would fund the first £500k of the request.

Decision 2: Introduce a principles-based approach to determine whether external cost during product development would be recovered.

Cost should be recovered through access prices

- 3.19. Customers expressed that Royal Mail should look to recover the cost of developing new services through access prices. Our consultations set out that – should Royal Mail seek to recover development cost – **we would consider a variety of mechanisms, including through access prices**. We also set out other mechanisms we would consider. These included an indemnity should the volumes projected by the customer not materialise; a lump-sum upfront payment; a series of standalone payments during the development phase or once the service has been deployed. We noted that there are a variety of factors that could influence which cost recovery mechanism is used determine the right approach, we would have regard to the six principles.
- 3.20. We understand that customers preferred approach for Royal Mail to recover development costs is through access prices. The four cost recovery worked examples included in Annex A demonstrate that price has previously been used as the mechanism for cost recovery.⁹ However, **we maintain that the specific circumstances of each request mean that it may not always be appropriate to recover development cost through price**. In particular, we believe that recovering development cost through price alone increases the risk of stranded investment. As development cost could be significant, this risk could be material if take up of the product is below forecast levels.
- 3.21. **We will therefore consider the full spectrum of mechanisms for cost recovery in each request on a case-by-case basis**. The approach taken will be guided by the six cost recovery principles. **Recognising that customers’ preferred approach is to recover development cost through access prices, we will look to use this where appropriate and practicable**. This could include recovering development cost through a specific per unit “development price”, which would be paid in addition to the underlying product price.¹⁰
- 3.22. We believe that this approach – considering the full spectrum of mechanisms and using the six principles to guide our decision – is fair and reasonable.

⁹ These worked examples were first published in our January 2019 Consultation.

¹⁰ For example, the total price for the product could be made up of two prices. The underlying price for the product (say 50p) and a development price (say 10p) making the total price 60p.

Decision 3: Should Royal Mail seek to recover external development cost, we will consider the full spectrum of cost recovery mechanisms. We will use the six principles to guide the appropriate mechanism. Where appropriate and practicable, we will seek to recovery cost through access prices.

Development decisions and the regulated environment

- 3.23. Whistl and UK Mail noted that development costs may arise as a result of decisions taken by Royal Mail in the past when developing retail products. Development costs may also arise as a result of the regulated environment in which Royal Mail operates. They noted that where these costs arise, Royal Mail should fund them at its own expense.
- 3.24. We maintain that **decisions taken when developing retail products in the past have not had a substantive impact on the scoping and development cost needed to provide an access equivalent**. This is because the costs required to provide an access equivalent would have arisen irrespective of whether it was developed at the same time as the retail product or afterwards. These costs may therefore have needed to be recovered.
- 3.25. We also **do not agree that operating in a regulated environment should mean that Royal Mail automatically bears the scoping and development cost**. We believe the same approach we have set out above should apply in this case. Namely that cost recovery should be looked at on a case-by-case basis and should be guided by the six principles.

Difference in product developments between wholesale and retail

- 3.26. Whistl and UK Mail expressed that there is a difference in product developments between wholesale and retail. Firstly, retail can develop single-operator solutions whereas wholesale require multi-operator solutions. And secondly, Royal Mail should develop a wholesale equivalent when developing a retail service. Royal Mail maintains that there is no distinction in product development between wholesale and retail. Decisions are taken and products developed with the entire letters market – wholesale and retail – in mind.
- 3.27. This is evidenced by recent examples of development of Mailmark, Magazine Subscription and Partially Addressed products. It can also be seen in the approach to incentives, where the same credits are offered to the posting customer irrespective of whether the items are posted through wholesale or retail. These have been developed in a collaborative approach with the market. **We therefore do not agree that there is a difference in the way products are developed**. The needs of all our letter customers – including in particular our access customers – remain front and centre when we are considering product development. We will therefore not be taking any action.

Chapter 4 – Decision – A new fit-for-purpose framework

- 4.1. Below we set out our decision and what this means for new service requests. The first section focuses on the gateway approach, namely the process, information, engagement and timelines for responding. The second section focuses on recovery of scoping and development costs. Annex A includes worked examples of how the cost recovery principles have been applied in practice. Annex B sets out the new application form.
- 4.2. **This Decision will apply to the requests in the mandated area only.** Requests outside the mandated area will remain commercially negotiated. It is likely the process and principles set out below would be followed for any requests that sit outside the mandated area, although we may take a different approach if we consider this to be in Royal Mail Group’s commercial interests.

Gateway approach – Process, information, engagement and timelines

Process

We will use an eight stage gateway approach to manage new service requests.

- 4.3. We will follow an **eight-stage gateway approach** to manage new service requests in access. Each gateway is designed to conclude with an agreement between the customer and Royal Mail on whether to pass through to the next stage in the process. Adopting a gateway approach allows for requests to be developed in a collaborative, structured and dynamic manner. The customer and Royal Mail will agree timescales for responding to the application on a case-by-case basis at the start of each request. The timescales may vary depending on the level of complexity of the new service request. Allowing sufficient time for engagement, discussion, review and feedback during each stage should reduce the risk of significant modifications being required that may lead to unnecessary delays. The service will be designed to better meet customer needs more quickly. Customers are able to exit the process at any stage.
- 4.4. **Customers and Royal Mail will agree a milestone plan early in the process.** This will set out key deliverables, engagement points, owners and timelines across all stages up until rollout. Progress will be managed against this plan. The table below outlines the key aspects and deliverables of the proposed gateway approach. Each stage is discussed in more detail below.

Indicative timelines¹¹

Stage 1	Initiation of request	
Deliverables	<ul style="list-style-type: none"> Completed application form. Customer confirms whether individual or joint request. Mobilise pop-up advisory and technical groups (if necessary). Governance structure including key stakeholders (project leads, advisory group, technical experts). 	1 to 2 weeks
Gateway 1	Agree application form. Customer confirms whether to proceed to next stage.	
Stage 2	Concept design	
Deliverables	<ul style="list-style-type: none"> Service specification options – Operational handling and system requirements. Milestone plan to rollout – Key decision points for customer and Royal Mail, deliverables, engagement points etc. This will be updated throughout. Indicative range for development cost and timeline. 	1 to 2 weeks

¹¹ We have included indicative timelines for stages 1 to 4. It is not possible to provide meaningful indicative timescales for stages 5 onwards, as they would vary depending on the complexity of the request.

	<ul style="list-style-type: none"> Risks and issues log. This will be updated throughout. 	
Gateway 2	Royal Mail shares deliverables with customer. Customer confirms preference for service specification and whether to proceed to next stage.	
Stage 3 Initial scoping		
Deliverables	<ul style="list-style-type: none"> Outline Service Specification covering operational and systems requirements to deliver the customer's preferred approach. Proposed method of cost recovery for product development cost. 	1 to 2 weeks
Gateway 3	<p>Royal Mail shares deliverables with customer. Customer confirms whether to proceed to next stage.</p> <p>Possible customer financial go/no go decision point: If the £500k annual scoping fund has already been exceeded, Royal Mail may require customer agreement on funding any additional external scoping costs during stage 4 (Detailed scoping) before moving on.</p>	
Stage 4 Detailed scoping		
Deliverables	<ul style="list-style-type: none"> Detailed service specification covering operational and systems requirements. Heads of Terms including product development costs, indicative prices and timeline. 	10 to 12 weeks
Gateway 4	Royal Mail provides customer heads of terms for review. No action from the customer needed to move onto the next stage.	
Stage 5 Review Heads of Terms and prices		
Deliverables	<ul style="list-style-type: none"> Discussion between customer and Royal Mail on commercial, operational and systems aspects of the proposal. 	
Gateway 5	Customer financial go/no go decision point: Before moving onto stage 6, customer agreement to contract is needed. If necessary, this would include any proposed funding arrangements for product development cost in stage 6 onwards (Product Development).	
Stage 6 Product development		
Deliverables	<ul style="list-style-type: none"> Set-up for product development phase, including updated milestone plan, deliverables, engagement points, governance structure and risk and issues log. Royal Mail commences product development. 	
Gateway 6	Confirmation of system design and build.	
Stage 7 Product testing		
Deliverables	<ul style="list-style-type: none"> User acceptance testing. 	
Gateway 7	Confirmation the product has been developed in line with customer expectations.	
Stage 8 Product announced		
Deliverables	<ul style="list-style-type: none"> 190 day notification period. 	

- 4.5. **Stage 1 - Initiation of request** – The primary objective of this stage is for the customer and Royal Mail to build a **mutual understanding of the key aspects of the new service the customer is requesting**. This includes identifying the needs of the end posting customer and the commercial aims of the service. We also need a clear understanding of operational requirements such as sortation levels, machine reading capabilities and handling requirements. We also need to understand system requirements such as IT integration, data transfers and billing arrangements.
- 4.6. The key deliverable during this stage is the **completed application form** – see Annex B. The application form has been designed to capture a range of vital information. Customers and Royal Mail will engage regularly during this stage to discuss the request to ensure the requirements from the service are understood and accurately captured in the form. We recognise that there may be

circumstances where relevant information supporting a potential new service may not neatly fit into the existing application form. In such circumstances, the application form can be tailored to the specifics of each request. Customers can include additional sections within the form or provide supplementary information alongside the application. As such, the form can be tailored to the specifics of each request. The application form also includes **a section for customers to make information requests**, in line with USPA 4.3. Customers can submit information requests at any point during the process.

- 4.7. During this stage, customers and Royal Mail will **agree ways of working** through the product scoping and development process. This includes:
- The customer deciding whether they would like the request to be **individual or joint** with other interested parties. This is a decision for the customer alone. Royal Mail will not share requests – individual or joint – with other access customers unless asked.
 - The customer and Royal Mail will also need to agree whether to **mobilise pop-up groups** – an Advisory Group or Technical Group – to assist with the request.
 - Customers and Royal Mail will agree **governance structures** at the outset. This includes identifying individual workstreams, project leads and engagement.
- 4.8. Customers and Royal Mail will pass through gateway 1 into stage 2 once they have an agreed application form and completed the other deliverables.

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- 4.9. **Stage 2 - Concept design** – The aim of this stage is to develop a **Service Specification Option** that meets the customer’s needs. Royal Mail will assess – at a high level – the options for operational handling and systems configuration. It is important that the customer gets an early sense of the level of complexity associated with developing each option. We will therefore provide an **initial indication of the development costs and timeline** for stage 6 onwards that the customer is likely to face to develop each option.¹²
- 4.10. During this stage, the customer and Royal Mail will also agree **project planning** aspects of the new service request. This includes the expected time to complete each stage through to rollout,¹³ alongside documenting any risks and issues. These documents will be maintained throughout the product scoping and development period.
- 4.11. Customers and Royal Mail will agree to pass through gateway 2 into stage 3 once the deliverables have been shared with the customer and the customer has selected its preferred service specification option.

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- 4.12. **Stage 3 - Initial scoping** – The aim of this stage is for **Royal Mail to develop the customer’s preferred Service Specification Option into an Outline Service Specification**. This will include further detail on the customer’s preferred service specification. It will also set out more detail on: the

¹² The range of developments costs for example could be: £0-1m; £1-5m; £5-10m; >£10m. The range of development timelines could be: 0-6 months; 6 months- 1 year; 1-2 years; >2 years.

¹³ The customer and Royal Mail will agree a full milestone plan once the customer has identified their preferred service specification option.

service description; documentation and billing; handover; revenue protection and Downstream Access Control Centre (DSACC) process; operations; and customer reporting. We will also refine our initial indication of development cost and timeline.

- 4.13. In some cases, requests may need expertise from external suppliers in stage 4 and 5 to help scope the service. For example, this could include activity with external providers, such as external IT consultants. Royal Mail has established a £500k annual scoping fund. This will cover the first £500k of external scoping cost incurred up until the end of stage 5 each financial year. The annual scoping fund can be used across multiple requests. If the £500k annual scoping fund is exceeded, Royal Mail may pass through to the customer additional external scoping cost. Should an individual request span multiple financial years, Royal Mail would fund the first £500k of the request.¹⁴
- 4.14. In many cases, there will be no need for expertise from external suppliers. No external scoping cost would therefore be incurred and the customer would not be expected to bear any cost in stage 4. Equally, if the external scoping cost does not exceed the £500k annual scoping fund, the customer would not pay.
- 4.15. However, if the external scoping cost exceeds the £500k annual scoping fund threshold, Royal Mail may need to agree funding arrangements for the additional cost. In these circumstances, **gateway 3 would be a financial go/no go decision point for the customer**. To move to stage 4, the customer would need to agree to fund any additional external scoping cost. The customer will be able to scrutinise the cost.¹⁵ The additional external scoping cost will act as a ceiling. If costs are lower, the customer would only be charged for the reasonable external costs incurred. We will absorb any additional costs above and beyond the ceiling we set out. The customer can decide not to proceed at this stage and avoid any cost.
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- 4.16. **Stage 4 - Detailed scoping** – The aim of this stage is for **Royal Mail to provide the customer the Heads of Terms**. This document will set out the commercial, operational and system specification for the product, as well as indicative prices. It will include the cost and timeline to develop and deploy the product and the proposed mechanism for recovery of development cost.
- 4.17. To achieve this, we will undertake a **more detailed operational and product specification exercise**. This will include assessing detailed aspects of the operational processes to handle the product. We will also need to consider the setup of data flows and determine billing arrangements. More complex requests may require additional activity to scope and develop the service.
- 4.18. At the end of the stage, **Royal Mail will provide the customer the Heads of Terms**. There is no action for the customer to pass through the gateway. They will pass automatically into the next stage.
-

¹⁴ For example, if a customer submits a request in February and £200k external scoping cost is spent before the end of the first financial year, £300k – rather than a full annual scoping fund of £500k – would be available towards scoping the request in the second financial year. Any spending in the second year would be deducted from the second year's £500k annual scoping fund. Therefore, if £100k was spent to scope the request in the second year, £400k would remain in the annual scoping fund to scope other requests.

¹⁵ We will operate an “open book”, whereby customers can commission an independent third-party auditor to assess the costs if they wish to do so. The third party auditor must agree to sign an appropriate non-disclosure agreement (NDA).

4.19. **Stage 5 - Review Heads of Terms and prices** – The aim of this stage is for the **customer to review commercial, operational and system specifications set out in the Heads of Terms**. The customer can request changes to the Heads of Terms.

4.20. To pass through gateway 5, we need customer agreement to the Heads of Terms. This may include any proposed funding arrangements should there be product development cost during stage 6. If a customer contribution is required, **gateway 5 would be a financial go/no go decision point for the customer**. Cost recovery is discussed in more detail from paragraph 4.36 onwards.

4.21. **Stage 6 - Product development phase** – During this stage, Royal Mail – with input and continued engagement from the customer – will develop the product. Detailed business requirements would be gathered and these will be shared with the customer to ensure that interfaces and expectations are aligned to requirements. Once agreed, the IT systems would be developed. **There would be regular touch points between the customer and Royal Mail**. We would also plan any operational changes, ensuring coordination with other activities and changes. We will prepare customer on-boarding activities – including label design and system interfaces – and prepare all service reporting requirements.

4.22. The customer and Royal Mail will pass through gateway 6 into stage 7 once both parties have confirmed the system design and build. This will include confirming any operational, commercial and system elements are in line with expectations and reflect the Heads of Terms.

4.23. **Stage 7 - Product testing** – The aim of this stage is to test the product before full rollout to customers. A test pack will be provided detailing the customer account details with username, passwords and details to access the customer user acceptance testing environment. This is the opportunity to test the new services prior to going live in production. Additional support will be provided by Network Access IT. The customer will confirm they would like to launch the product to pass through gateway 7.

4.24. **Stage 8 - Product deployed** – The new service including user guide changes, service codes and contract change notices will be published. We will provide the 190 days notice with the prices published at least 70 days in advance of the launch.

Individual or joint request

The requesting customer can decide whether a request is developed individually or jointly with the industry.

4.25. During stage 1, the requesting customer will be able to decide whether the request is developed on an **individual or joint basis**. It is a decision for the customer alone. Royal Mail will not share requests – individual or joint – with other Access customers unless asked. The two streams are described below:

- **Stream 1 – Individual** – The customer retains confidentiality around the application. The request would be developed between the requesting customer and Royal Mail only. Other customers would not be notified of the request during the scoping or development phase. Other customers would only become aware of the request once Royal Mail is required to publicly notify the launch of a new service.
- **Stream 2 – Joint** – The requesting customer would invite other customers to be involved in developing the request. This would allow other customers to input into the product design during the development phase. This would incorporate a wider range of customer views upfront. The requesting customers would be able to keep the request confidential from other customers who are not involved in the request.

Engagement

We will hold frequent engagement throughout the gateways – using regular face-to-face engagement and mobilising pop-up groups as needed – to ensure we are meeting customer expectations in relation to timing and service development progress.

4.26. Regular, effective engagement is a key aspect of the gateway approach. It is important the customer and Royal Mail **agree how to engage effectively through the scoping and product development process**. This will enable scrutiny of the details and provide an opportunity to exchange views to ensure the service meets customers' needs. It will allow the customer and Royal Mail to stay on top of the status of each individual workstrand and overall progress. The level of engagement will vary depending on the complexity and status of the request. It is crucial that the service being developed is what the customer wants in practice.

4.27. We will hold **regular face-to-face engagement** with the customer throughout the process. This will include scheduling regular catch-up meetings to update on overall progress. The **milestone plan** will be used to support these discussions and keep track of progress. In addition, **we will mobilise two types of pop-up group to assist in developing new service requests**, if deemed necessary or requested by the customer:

- An **Advisory Group** will consider the development of the service at a more strategic level. It may, for example, focus on service design and the journey for the posting customer.
- A **Technical Group** would consider more detailed aspects of the request. For example, considering how different companies' IT systems may interface with each other. Multiple technical groups may need to be mobilised in a single request, covering different aspects of the service development.

4.28. It is possible that pop-up groups would be mobilised during both individual and joint requests. Parties involved in the request would be invited to join the groups. For example, representatives from the requesting customer, Royal Mail and – if necessary – third party suppliers supporting the request.

Information

The access application form and guidance is designed to support completion of the request and better service specification

- 4.29. The application form is designed to gather a range of information on the new product's operational specification and other requirements. For example, product description, sortation levels, machine reading, IT and billing requirements. It has been designed to help customers and Royal Mail think about end customers' needs at the outset. It also focuses on the commercial objectives, so we can better input with recommendations for the product and operational specification. This is to help ensure we understand all aspects of the request and help us design the solution accordingly.
- 4.30. We recognise that customers may need information from us while making a request for a new service. **USPA 4.3 requires Royal Mail to respond to reasonable information requests** from customers considering making a new service request and to do so in a reasonable period. The application form includes a section for customers to make information requests. Royal Mail encourage discussions with the customer on information requests alongside other discussions in stage 1. Customers remain able to make requests at any stage during the request process. This is not restricted to the start of the process.

Timelines

The customer and Royal Mail will aim to agree bespoke timelines for responding to each request.

- 4.31. The customer and Royal Mail will aim to agree timelines for responding to new service requests on a case-by-case basis. The timelines for responding would vary depending on the level of complexity of the request. **Customers and Royal Mail will use a milestone plan to agree timelines early in the process.** This will set out key deliverables, engagement points, owners and timelines across all stages up until rollout. Progress will be managed against this plan. It will be a dynamic document, updated regularly to reflect the latest expected timescales.
- 4.32. Details and options may arise which had not been anticipated in the milestone plan timelines. These may take additional time to resolve and could impact or delay other workstrands. Should this happen, the customer and Royal Mail will update the milestone plan to reflect the latest timelines.

We will maintain a backstop 13-week timeline for responding. This will only be used if the customer and Royal Mail cannot reach agreement on a bespoke timeline.

- 4.33. It is our intention that the customer and Royal Mail would agree bespoke timelines for responding to each new service request. However, we recognise that the customer and Royal Mail may not always be able to agree on a bespoke timeline. We therefore propose to maintain a backstop timeline of 13-weeks to use in such circumstances. 13 weeks was the timeline for responding under the previous framework.
- 4.34. The 13-week backstop timeline would **cover the period from the beginning of stage 2 up until Royal Mail providing Heads of Terms at the end of stage 4.** At the beginning of the process, Royal Mail is dependent on the customer setting out its requirements for the service. This period would therefore fall outside the 13-week backstop timeline. The clock would start once the customer and Royal Mail have an agreed application form and pass through gateway 1.
- 4.35. Royal Mail may need to send the customer information for comment. **We may pause the clock while Royal Mail is awaiting information from customers.** We will provide the customer a given

period of time to respond while the clock keeps running on the 13-week backstop timeline. The response time will be a minimum of two days up to a maximum of one week, depending on the volume of detail. Providing the customer some time to respond while the clock keeps running means they have time to consider options without impinging on the overall timeline for developing the service. If the customer cannot respond by the end of the allowed time, the clock would pause until the relevant information is received. Introducing this mechanism allows time for a response and discussions if necessary. It also allows the customer to propose potential alternative solutions without putting the 13-week timeline at risk.

Cost recovery

- 4.36. Royal Mail's Network Access team is set up to run and manage Access services on a day-to-day basis. Part of the team's responsibilities is managing new service requests. More complex requests may require additional activity to scope and develop the service, such as changes to our systems or processes. This may be a direct result of the service being requested and would not otherwise be needed. This could include activity with external providers. The cost associated with this external activity could be material. It may arise even where a similar retail product already exists. For example, activity required to integrate IT systems. Royal Mail may seek to recover this cost.
- 4.37. Below we set out features of our proposed mechanism for cost recovery and principles we will follow when determining a fair and reasonable mechanism to use. We then set out what costs we would - and would not - seek to recover when developing an Access New Service Request.

Features of cost recovery mechanism

- 4.38. Royal Mail has a limited budget for investment expenditure. In line with other companies, we must prioritise the projects we select for investment based on their overall payback and level of risk. The level of risk associated with the investment required to deliver new service request - which we may not have been expecting and so may not be budgeted for - may be higher than projects in our portfolio. At the same time, we are obliged to meet our regulatory obligations. **Where a new service request requires material investment, the mechanism and length of time to recover the costs would need to reflect the level of risk.** For us to prioritise our scarce investment resources, we may require a firm commitment from the customer to ensure that we do not have stranded investment. This is particularly pertinent in cases where there is uncertainty around volumes or customer take-up.
- 4.39. We will act in a fair and reasonable manner when considering how to recover costs. When responding with Heads of Terms, we will clearly set out to customers our proposals on cost recovery, prior to costs being incurred. **We expect our cost recovery approach would cover the following key features:**
- **Mechanism** - The mechanism used for recovery could include any or all of the following: per item price; a per item price coupled with a separate per item "development price";¹⁶ an indemnity should the volumes projected by the applicant not materialise; a lump-sum upfront payment; a

¹⁶ The "Development price" would be paid in addition to the underlying product price. For example, the total price for the product could be made up of two prices. The underlying price for the product (say 50p) and a development price (say 10p) making the total price 60p.

series of standalone payments during the scoping or development phase or once the service has been deployed.

- **Contributors** – The costs may be charged to the applicant or all customers, depending on who is causing the cost and who is benefitting from the services. Should other customers request use of the new service, a new payment arrangement may be organised in order to seek appropriate compensation from the new customer.
- **Payback period** – The payback period will be fair and reasonable. For example, it may take into account a variety of factors, including the level of risk, the life of the product or asset, the size of the outlay and expected demand for the product.

Principles we would follow to determine approach to cost recovery

We will apply a principles-based approach when determining a fair and reasonable cost recovery mechanism.

4.40. There are a number of factors that could influence our approach to cost recovery. In determining the right approach, we will have regard to the six principles below. These are informed by principles used in a number of Ofcom decisions when assessing cost recovery for investments undertaken by BT.^{17, 18}

- **Cost causation** – Costs will be recovered from those whose actions cause the costs to be incurred. For example, if the request requires significant IT changes to Royal Mail systems, it is likely that this will be charged back to the applicant.
- **Distribution of benefits** – Costs should be recovered from the beneficiaries of the new service. For example, if a range of customers – including possibly Royal Mail itself – benefit from the new service, the costs may be spread among all the relevant customers, not just the specific applicant.
- **Cost minimisation** – The mechanism for cost recovery should ensure that there are strong incentives to minimise costs. For example, we will use consultants from our Procurement Framework Agreements. These agreements include rates Royal Mail has agreed with a panel of consultants following a rigorous competitive procurement process. This will therefore allow customers to benefit from the rates we use for internal projects. We are unlikely to be able to provide customers full disclosure or full cost breakdown, as it will likely include commercially confidential information. However, we will operate an “open book”, whereby customers can commission independent third parties to scrutinise the costs if they wish to do so.¹⁹ Any such audit would be undertaken at the customer’s expense.²⁰

We will also consider whether the cost recovery mechanism itself is likely to minimise cost. For example, whether one party paying all the cost or the cost being shared across multiple parties is likely to lead to cost minimisation.

¹⁷ For example, Ofcom, Porting charges under General Condition 18, September 2014. Para 4.16.

¹⁸ Please note that we have not included Ofcom’s principal of reciprocity – where services are provided reciprocally, charges should also be reciprocal – in the principles we would follow. The characteristics of the postal sector mean it is unlikely the principal would be needed. We have also introduced level of risk, which is not one of the principles relied on by Ofcom.

¹⁹ The third party must agree to sign an appropriate non-disclosure agreement (NDA).

²⁰ We note that Ofcom’s cost minimisation principal looks at whether the cost recovery mechanism itself is likely to lead to cost minimisation. We will also bear this in mind when considering cost minimisation.

- **Practicability** – The mechanism for cost recovery needs to be practicable and relatively easy to implement.
- **Level of risk** – In determining the payback mechanism and period, we will take account of the size and risk profile of the investment outlay. This is likely to depend on, amongst other things, certainty around the associated mail volumes.
- **Competition** – We will take into account factors to ensure the mechanism for cost recovery does not unfairly hinder effective competition.

4.41. Our assessment would first apply each principle to the circumstances of the new service request in isolation. We would then look to bring these together to help decide the appropriate approach to cost recovery. When looking at the principles in the round, the level of weight we place on each principle would vary depending on the specific circumstances of each request. We have provided **four worked examples** of how the cost recovery principles applied in Annex A.

Royal Mail may seek to recover reasonable external scoping cost incurred during the product development phase, from stage 6 onwards (Detailed scoping). We may also seek to recover external cost during the product scoping phase if the £500k external annual scoping fund is exceeded.

4.42. We would expect costs to be borne as follows:

		RM Internal Cost	External cost
1 - Initiation of request			within scope of £500k
2 - Concept design			
3 - Initial scoping	Scoping cost	Royal Mail	
4 - Detailed scoping			
5 - Review Heads of Terms and prices			
6 - Product development phase	Development cost	Royal Mail	Royal Mail and/or Customer
7 - Product testing			<i>guided by six principles.</i>

Key: Grey within scope of £500k annual scoping fund.

4.43. **Scoping cost (stages 1 to 5)** – Royal Mail remains committed to continued development of the access market. We want to ensure customers can explore potential new services with no upfront cost or investment. **We have therefore established a £500k annual scoping fund.** This will cover the first £500k of external scoping cost – incurred up until the end of stage 5 – each financial year. This fund can be used across multiple requests. Based on experience to date, we believe this annual scoping fund should be sufficient to cover external scoping cost the vast majority of new service requests. **We will also fund all internal cost through the whole scoping and development process,** up until stage 7. We believe that agreeing to fund scoping cost during stages 1 to 5 will lower barriers to new requests and encourage new ideas from access customers. Customers should therefore not be hindered from exploring new product requests.

- 4.44. **Should a new service request span multiple financial years, Royal Mail would fund the first £500k of the request.** If the external scoping cost in a particular year or for a particular request exceeded the £500k threshold, Royal Mail may need to speak to the access customers to determine funding arrangements. There may be circumstances where Royal Mail would continue to fund external scoping cost over and above £500k.
- 4.45. **Product development cost (stage 6 and 7)** – We expect that responding to standard requests – which do not require fundamental changes to our systems or processes – would not require cost with external suppliers during the product development phase. In these circumstances, customers would therefore not be expected to make upfront investments while the product is being developed.
- 4.46. Where requests are more complex, we may require additional expertise from external suppliers. In these circumstances, Royal Mail **may seek to recover external cost incurred during the product development phase**, in stages 6 and 7. Whether Royal Mail would seek to recover external cost incurred during the development phase would be guided by the six principles. As explained above, we would look at each new service request on a case-by-case basis, with no pre-judgement on the approach to cost recovery.
- 4.47. **The customer would be made fully aware of any external development costs before the cost is incurred.** Royal Mail would provide the customer the maximum external product development cost in the Heads of Terms. In these circumstances, gateway 5 would become a financial go/no go decision point for the customer. If the actual cost was higher than expected, the customer would only be charged the maximum level Royal Mail quoted in the Heads of Terms. Royal Mail would absorb any additional cost above the maximum.
- 4.48. The customer will be able to scrutinise these costs, using a third-party auditor. We will operate an **“open book”**, whereby customers can commission independent third parties to assess the costs if they wish to do so. The third party must agree to sign an appropriate non-disclosure agreement (NDA).

Chapter 5 – Next steps

- 5.1. **In terms of next steps, the new process will come into effect immediately. We will also be holding a familiarisation briefing for our access customers.** The aim of this briefing is to set out the details of our decision and enable them to start taking advantage of the benefits of the new approach as soon as possible. A date will be issued shortly. We would like to thank customers for their engagement in developing the new framework.

Annex A: Cost recovery worked examples

	Mailmark Very large investment to create Mailmark infrastructure	Access Magazine Subscription Modest investment in 2018 to create Mag Sub service	Access Premium Modest investment in 2007 to create Access Premium.	Tracked and Delivery Confirmation for Large Letters Large investment needed to provide Tracked and Delivery Confirmation in Access
Distribution of benefits <i>Costs should be recovered from the beneficiaries of the new service.</i>	<ul style="list-style-type: none"> - Royal Mail, the industry and customers benefit from state-of-the-art barcode technology. - This includes: efficient processing, improved tracking, better more detailed reporting, revenue protection, and opportunities for new product and service developments. 	<ul style="list-style-type: none"> - The development of the Magazine Subscription service would benefit Access customers. 	<ul style="list-style-type: none"> - The development of the Premium product benefited Access customers. 	<ul style="list-style-type: none"> - The development of the new tracked and DC services in Access would benefit Access customers.
Cost causation <i>Costs will be recovered from those whose actions cause the costs to be incurred.</i>	<ul style="list-style-type: none"> - Both Royal Mail and Access Customers supported the development of Mailmark. - Royal Mail obtained significant benefits from its rollout and therefore funded the investment. - We also introduced an 'Investment in Change' scheme with £500k funding to assist the industry's transition. 	<ul style="list-style-type: none"> - Both Royal Mail and Access Customers supported the development of Magazine Subscription service. 	<ul style="list-style-type: none"> - A number of Access customers requested the new service. 	<ul style="list-style-type: none"> - A number of Access customers requested the new service. - This required significant investment to link the Access Letters infrastructure to our parcels IT infrastructure.
Cost minimisation <i>The cost recovery mechanism and development approach should ensure there are strong incentives to minimise costs.</i>	<ul style="list-style-type: none"> - Royal Mail has a limited budget for investment expenditure and a range of investment opportunities that compete for capital. We therefore face natural incentives (not least from shareholders) to minimise costs in any given project. 	<ul style="list-style-type: none"> - We used consultants from our Framework Agreement and therefore allowed Access customers to benefit from the better rates we use for internal projects. - The required development built on existing Access Letters IT infrastructure. 	<ul style="list-style-type: none"> - We used consultants from our Framework Agreement and therefore allowed Access customers to benefit from the better rates we use for internal projects. - The required development built on the existing Access Letters IT infrastructure. 	<ul style="list-style-type: none"> - Developing a new system from scratch would incur significant costs. We therefore proposed to leverage our existing Retail Parcels IT infrastructure. - We proposed to use consultants from our Framework Agreement and therefore allowed Access customers to benefit from the better rates we use for internal projects. - We operated an 'open book' whereby customers could commission independent 3rd parties to scrutinise the costs.
Level of risk <i>The payback mechanism and period, we will take account of the size and risk profile of the investment outlay.</i>	<ul style="list-style-type: none"> - Royal Mail bore the risk of the investment. If customers did not move onto Mailmark, we would have had a stranded investment. - The critical mass of letter volumes and level of existing barcoded (CBC) letters we expected to migrate to Mailmark meant there was a relatively low risk. 	<ul style="list-style-type: none"> - Built on the existing Access Letters IT infrastructure. - No significant new IT build was needed. As such, this was relatively low risk given the limited capital required. 	<ul style="list-style-type: none"> - As mentioned, built on the existing Access Letters IT infrastructure. - No significant new IT build was needed. Impact on operations from later acceptance widows was small. - As such, this was relatively low risk given the limited capital required. 	<ul style="list-style-type: none"> - The request would lead to significant financial outlay by Royal Mail to develop the IT infrastructure. - There was also uncertainty around the likely volumes. - As such, this was a relatively high risk request.
Practicability <i>The mechanism for cost recovery needs to be practicable and relatively easy to implement.</i>	<ul style="list-style-type: none"> - Cost was recovered through underlying prices. 	<ul style="list-style-type: none"> - Cost was recovered through underlying prices. 	<ul style="list-style-type: none"> - Given the relatively limited investment outlay, no upfront lump sum was required. - Instead we recovered the cost through per unit charges. - An indemnity was put in place in case the volumes did not materialise. 	<ul style="list-style-type: none"> - To de-risk the investment, we proposed a schedule of payments, recovering cost during the development phase from the customers requesting the service.
Competition <i>The cost recovery mechanism should not unfairly hinder effective competition</i>	<ul style="list-style-type: none"> - The product was offered to all Access customers on equal terms. 	<ul style="list-style-type: none"> - The product was offered to all Access customers on equal terms. 	<ul style="list-style-type: none"> - The product was offered to all Access customers on equal terms. 	<ul style="list-style-type: none"> - If the product was developed and launched, it would have been offered to all Access customers on equal terms. Customers also wishing to use the service who were not part of the initial request may need to discuss terms with the original requestors before being able to do so.

Annex B: USP Access Request form

USP Access Request Form and Guidelines

Sections 1 to 6 of the form must be completed. Additional information can be requested and provided in sections 7 and 8. Please fill in a separate request form for each new service. We strongly recommend that you contact us prior to the submission of your form to discuss the service requirements using the following address: enquiries@royalmailwholesale.com

1. Customer Details

Please provide contact details for one or more employees who will be dealing with the request.

Name		
Job Title		
Company		
Contact Details	Telephone No	
	Mobile	
	e-mail	

2. Service Description

In this section, we are seeking to understand the end-to-end customer journey and operational features of the product. This is to help us design the solution accordingly. It is important you provide sufficient detail on your requirements to enable Royal Mail to fully understand the request and carry out the scoping exercise.

Background	Please provide some context for the service being requested eg. an explanation of the opportunity you have identified.
Objective of the product	Please provide a description of the key service features. For example, Mailmark management information.
Description of operational features from the service	<p>Please provide a description of:</p> <ol style="list-style-type: none"> 1. The full end-to-end journey for the posting customer 2. How the mail will be handed over to Royal Mail 3. Requirement of Royal Mail when <ol style="list-style-type: none"> I. Handling the service II. Delivery requirements (if applicable) 4. Please identify similarities and/ or differences from existing Royal Mail products.

Service level standards	Please provide any operational and non-operational service level requirements you expect from the product. For example, delivery obligations, data provision, reporting, complaints management or revenue protection.
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3. Points of Access and Access Times

In this section, we are seeking to understand where, when and how the customer intends to access Royal Mail's network. In particular, we are seeking to understand where the required service differs from existing arrangements.

Access point	<p>Please tick the box below to indicate the point where you wish to access Royal Mail sites:</p> <table border="1" data-bbox="488 875 946 949"> <tr> <td data-bbox="488 875 753 909">Inward Mail Centre</td> <td data-bbox="756 875 946 909"></td> </tr> <tr> <td data-bbox="488 913 753 949">Other</td> <td data-bbox="756 913 946 949"></td> </tr> </table> <div data-bbox="413 987 1382 1167" style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>If you ticked other and your requirement is for Access at somewhere other than an Inward Mail Centre, please provide details of your requirements:</p> </div> <div data-bbox="413 1205 1382 1384" style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>If you are requesting Inward Mail Centre access but do not require access at all sites, please provide details of your requirements:</p> </div>	Inward Mail Centre		Other	
Inward Mail Centre					
Other					
Day(s) of week	Please indicate which days of the week you anticipate accessing each Royal Mail site.				
Time(s) of day	Please indicate the time of day you anticipate accessing each Royal Mail site.				

4. IT and Billing Requirements

In this section, we are seeking to understand any specific IT interface requirements the customer may have for the new service. We are also seeking to understand any information the customer intends to provide Royal Mail for billing purposes.

The type of data required and how data is shared is likely to be critical to the design of the service and the timeframe to develop the product.

Data exchange, IT interface and reporting requirements	<p>Please provide details of the IT and data interface arrangements you require. Royal Mail requires customers to share data for billing and reporting purposes. Dockethub and EHMS are the systems used as standard by Royal Mail Wholesale.</p> <p>Please provide a description of your data exchange requirements, including billing and reporting. Please highlight where you think there are differences or similarities to existing service arrangements.</p>
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5. Item Description and Presentation Standards

In this section, we are seeking to understand how mail will be presented to Royal Mail. The type of mail handed over will impact handling costs. The information provided will therefore allow Royal Mail to estimate the cost of the service.

Format	<p>Please tick the format(s) relevant to your access request:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2">Format</th> <th rowspan="2">Tick all that apply</th> <th colspan="3">Volumetrics</th> </tr> <tr> <th>Ave</th> <th>Min</th> <th>Max</th> </tr> </thead> <tbody> <tr> <td>Letter</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="background-color: #cccccc;"></td> <td style="background-color: #cccccc;"></td> <td style="background-color: #cccccc;"></td> </tr> <tr> <td>Large Letter</td> <td style="text-align: center;"><input type="checkbox"/></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Parcel</td> <td style="text-align: center;"><input type="checkbox"/></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <ul style="list-style-type: none"> Letter means an item which is no larger than C5+ (165mm x 240mm) and no thicker than 5mm. Minimum size is 70mm x 100mm and minimum thickness is 0.25mm. Letters must weigh between 0 - 100g. Large Letter means an item which is no larger than 353mm X 250mm and no thicker than 25 mm. Large Letters must weigh between 0 - 750g. Parcel means an item whose maximum dimensions, if rectangular, are no larger than 610mm x 460 mm x 460mm or, if cylindrical, has a maximum length of 900mm In addition, the item's length when added to twice the diameter must not exceed 1040mm. Parcels must weigh between 0 - 2kg. Volumetric means the size in litres of an item. For example, 250mm x 400mm x 30mm = 3.0 litres. 	Format	Tick all that apply	Volumetrics			Ave	Min	Max	Letter	<input type="checkbox"/>				Large Letter	<input type="checkbox"/>				Parcel	<input type="checkbox"/>			
Format	Tick all that apply			Volumetrics																				
		Ave	Min	Max																				
Letter	<input type="checkbox"/>																							
Large Letter	<input type="checkbox"/>																							
Parcel	<input type="checkbox"/>																							

Sortation	<p>Please tick the sortation level(s) you will be presenting as or give details if your required sortation levels are different:</p> <table border="1" data-bbox="488 259 1268 376"> <tr> <td>70</td> <td></td> </tr> <tr> <td>1400</td> <td></td> </tr> <tr> <td>Other (please specify)</td> <td></td> </tr> </table> <p>Access 70 - a sortation level for machineable letters and non-machineable letters, large letters and parcels. It requires customers to pre-sort their mail into 86 postcode selections prior to handover to Royal Mail.</p> <p>1400 - a service for machineable letters and non-machineable letters, large letters and parcels. It requires customers to sort their mailing (letters, large letters or parcels) into approximately 1529 selections.</p>	70		1400		Other (please specify)					
70											
1400											
Other (please specify)											
Machine reading	<p>Please tick the machine readability option(s) you will be presenting:</p> <table border="1" data-bbox="488 696 946 808"> <tr> <td>Mailmark</td> <td></td> </tr> <tr> <td>OCR</td> <td></td> </tr> <tr> <td>Manual</td> <td></td> </tr> </table> <p>Machine reading We have two machinable services which will offer additional price savings if your Letters or Large Letters can be machine read:</p> <ul style="list-style-type: none"> • Mailmark barcode • OCR <p>Manual We offer a manual service for items which cannot be machine read</p>	Mailmark		OCR		Manual					
Mailmark											
OCR											
Manual											
Item weight	<p>Please provide as much detail as possible in relation to the weight range and maximum weight.</p> <p>Please tick the weight(s) you will be presenting:</p> <table border="1" data-bbox="488 1279 946 1464"> <tr> <td>Up to 100g</td> <td></td> </tr> <tr> <td>101 – 250g</td> <td></td> </tr> <tr> <td>251 – 750g</td> <td></td> </tr> <tr> <td>751 – 1000g</td> <td></td> </tr> <tr> <td>1001 – 2000g</td> <td></td> </tr> </table> <div data-bbox="413 1536 1382 1682" style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Please provide as much detail as possible in relation to the weight range and maximums:</p> </div>	Up to 100g		101 – 250g		251 – 750g		751 – 1000g		1001 – 2000g	
Up to 100g											
101 – 250g											
251 – 750g											
751 – 1000g											
1001 – 2000g											
Additional information	<p>Please specify any additional information relevant to the description and presentation of your mail.</p>										

6. Posting Volumes by Format

In this section, we are seeking to understand the expected demand for the service. This will have an impact not only on how we scope the technical specification but also likely the costs and price of the product.

Volume by year	Please specify anticipated annual volumes by format for the first 3 years. Please provide your view on the degree of certainty around the volume forecasts. For example, a minimum and maximum range.				
		Letters	Large Letters	Parcels	Annual Totals
	Year 1				
	Year 2				
	Year 3				
	Format Totals				
	We would welcome any information you are able to share on the calculations or assumptions that underpin your volume forecasts or the degree of certainty around them.				
Volume by day	Please specify anticipated daily volumes by format. Where volumes are expected to differ by day, please indicate and include known variations.				
National or regional profile	Please indicate whether the geographic profile for delivery is likely to be national or based on a specific zone, region or city.				

7. Information Requests

Royal Mail is required to respond to reasonable information requests from customers considering making a new service request. We would look to respond to requests during the Pre-Application Phase.

Please detail any information requests below.

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8. Additional Information

This section provides the customer an opportunity to any other information which might be useful to Royal Mail in constructing a specification and price. Please use a separate form if required.

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For Royal Mail use

Date Application Form received	
Date Royal Mail confirm Application Form and clock starts on 13 week product scoping exercise.	