



Royal Mail Wholesale

Consultation on changes to the Access Letters Contract

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Contents

Section		Page
1	Introduction	3
2	Executive Summary	5
3	Overview of Proposals	7
4	Commercial Improvement Opportunities	8
5	Operational Improvement Opportunities	19
6	Next Steps	25
<i>Annex 1</i>	<i>Summary of Questions</i>	26

Section 1

Introduction

Whilst the postal sector has changed significantly since the current Access Letters Contract (ALC) was introduced in 2013, the structure and content of the ALC has remained substantially unchanged. Since its introduction, Royal Mail has made ad hoc changes to the ALC to enable the provision of new services and initiatives, however we believe the ALC is in need of reform to meet the needs of Wholesale customers in a very challenging and swiftly evolving environment.

- 1.1 We are seeking customer views on the terms of a refreshed ALC to be available with effect from July 2021¹. This consultation document sets out the background to the proposals for change, and the rationale for the options being considered.
- 1.2 Leading up to this consultation, we have engaged with Wholesale customers via 121 sessions and a workshop in March 2020, which has helped us to define some of the proposals set out in this document.

¹ This is the implementation date for introducing the changes in relation to the commercial and operational proposals outlined at sections 4 and 5 of this document. The introduction of the price plan proposals shall be dependent on whether a phased implementation is deemed more appropriate.

Others arose as a result of the opportunities and challenges in the UK postal sector. Overall the proposals we are putting forward are consistent with our ambition to refresh the ALC so that it:

- a. **promotes innovation:** enabling the mail industry to respond swiftly to a changing environment, and importantly to maximise opportunities to retain and grow mail volumes;
- b. **improves customer satisfaction and contract implementation:** through a simplified structure and language;
- c. **delivers a simplified price plan model:** which promotes a healthy and vibrant mail industry;
- d. **enables efficiency across the mail supply chain:** aligning with modernisation initiatives building on automation and barcoding.

1.3 Therefore, we are seeking customers' views on a number of key opportunities for improvement and have broken this consultation document into two areas – **commercial and operational**.

1.4 Recognising that price plans are such a fundamental subject for both Royal Mail and our Wholesale customers, we will be running this element as a separate consultation, which will be preceded by customer engagement sessions to discuss the opportunities for improvement.

1.5 We encourage our customers to send us their views on these areas by 30 October 2020 by email to ravi.chauhan@royalmail.com. Annex 1 to this document contains a consolidated list of specific consultation questions we request your views on.

Section 2

Executive Summary

Access continues to form an important part of the UK mail industry. In 2019/20 Access mail made up 63% of overall Royal Mail letters volume. However, the ongoing structural decline of the UK addressed mail industry, and the unprecedented impact of the Covid-19 pandemic on UK businesses, has added increased uncertainty and challenges for the industry.

- 2.1 The annual rate of decline in Addressed Letter volumes (excl. elections) has averaged c6% since 2015-16, GDPR and economic uncertainty negatively impacted advertising volumes in 2018/19 and 2019/20, which contributed to the Addressed Letters decline rates (excl. elections) of c8% in each of the last two years.
- 2.2 Covid-19 will have a significant impact on volumes this year. As an example, two months into the impact of the pandemic we advised the industry that Addressed Letter volumes (excl. elections) had declined by 33%.
- 2.3 Whilst Access mailings are not part of the universal service, the provision of Access services uses the exact same assets in the downstream segment of the Royal Mail pipeline as the universal service network. Therefore, the way in which Access is structured, priced and managed has a direct and significant impact on the financial sustainability of the universal service, and the ability of Royal Mail to earn a commercial rate of return.
- 2.4 It is crucial that the ALC enables Wholesale customers to benefit from new developments swiftly and to compete effectively, whilst also promoting the sustainability of their businesses.

Fundamental refresh to the ALC is overdue

- 2.5 Since 2013, Royal Mail has introduced a number of new services, working with the mail industry to identify and introduce more efficient ways of working (for example through the introduction of Mailmark), and focussed attention on initiatives which drive volume and cost reduction across the supply chain.
- 2.6 These changes have been enabled through ad hoc improvements and amendments to the ALC. However, an overall refresh of the ALC is needed to continue to meet the needs of Wholesale customers and postal users in a very challenging and swiftly evolving environment, while recognising the importance of Access services to the wider mail industry, and its important contribution to sustaining the universal service.
- 2.7 Providing the universal service means being able to deliver to nearly 31 million addresses, six days a week. This requires a high fixed cost network, irrespective of volume. For the universal service to be sustainable, Royal Mail needs to achieve a reasonable commercial rate of return from providing that network. This implies that revenues generated from services sold through the use of the universal service network should cover the costs associated with the activities required to provide the universal services, as well as securing a reasonable commercial rate of return.
- 2.8 With Access services accounting for a significant proportion of Addressed Letter volumes and appreciating the increasingly challenging environment which Wholesale customers are operating in, it is essential that the ALC is placed on a more commercial footing. We believe that there is an opportunity to simplify the pricing environment, reduce costs incurred for the industry and maintain effective competition. Additionally, the existing notice provisions in the ALC are very restrictive and do not enable Royal Mail or Wholesale customers to react to the changing industry conditions.
- 2.9 Royal Mail is working with the industry to focus its attentions on initiatives which enable more efficient ways of working and reduced costs across supply chains. We value customers' input and are seeking

views on improving areas of the ALC which currently restrict modernisation and strengthen ways of working in relation to mail handover and processing.

2.10 We feel very proud of the progress made in Access over the years; this is largely down to the collaborative nature of working within the industry. Without this approach we would not have been able to introduce new products and services, or make changes to operational specifications which help mail compete with other media channels.

2.11 However, there is more work to be done. And it is important that Wholesale customers take this opportunity to help shape the ALC and its commercial offering moving forward, so that Access continues to play an important role in the postal industry, and in the sustainability of the universal service.

Section 3

Overview of Proposals

We are seeking customers' views on a number of key opportunities for improvement and have broken this consultation document into two areas – commercial and operational.

3.1 The commercial section sets out Royal Mail's proposals for amending some of the commercial terms contained within the ALC in the following areas:

Commercial	Section
Notice periods	4.2 and 4.3
Data accessibility and use	4.9
Contract simplification	4.10
Limitations on claim periods	4.11
Review of performance packs	4.12
Change to assignment clause	4.13
Introduction of sanction provisions	4.14

3.2 The operational section sets out Royal Mail's proposals for amending the ALC and Access User Guide to ensure it aligns with our current ways of working, and to assess whether there are other changes which can be made to specifications and process requirements to ensure alignment with current strategy, in the following areas:

Operations	Section
Improving forecasting	5.5
Simplifying labelling requirements	5.6
Making submission of vehicle manifests a standard requirement	5.7
Making segregation by format a standard requirement	5.8
User Guide simplification	5.9
Quality of service	5.10
Early release	5.11

Section 4

Commercial Improvement Opportunities

4.1 This section sets out Royal Mail's proposals for amending some of the commercial terms contained within the ALC. The proposals centre on changes to those terms of the ALC which facilitate innovation in the industry, enabling Wholesale customers to benefit from new opportunities swiftly, and to make Wholesale more commercial and help sustain the universal service.

4.2 Bringing new products and services to market

4.2.1 In a swiftly evolving environment, which comes with increasing challenges, it is essential that the mail industry can act quickly to innovate and bring new products and services to market, so that we can collectively seize on opportunities to retain and grow mail volumes.

4.2.2 From our experience, the ALC currently restricts Royal Mail from bringing new products and services to our Wholesale customers swiftly. In the absence of a specific contract clause relating to the introduction of new products and services, we are bound by Clause 13.2.1 which requires us to provide no less than 190 days' notice to make changes to the ALC, not otherwise provided for in Clause 13.

4.2.3 To add further complexity, this contractual requirement to give customers no less than 190 days' notice is disparate to the notice requirements under the Ofcom USPA Condition, which Royal Mail is also obliged to comply with. USPA Condition 7.4 requires Royal Mail to provide no less than ten weeks' (or 70 days') notice to customers to introduce changes to the ALC, including introducing new products and services.

4.2.4 We know that many customers want us to introduce opportunities to the industry more quickly, therefore our proposal is to align the notice provisions of the ALC with those of USPA Condition 7.4 to enable us to introduce new products and services on 70 days' notice and to enable better innovation.

4.2.5 At the customer workshop in March 2020, a consensus was reached amongst those customers who attended the commercial focus group, that a new clause enabling Royal Mail to introduce new products and services on giving 70 days' notice to customers should be introduced. However, it was also agreed that there should be a mechanism for customers to majority accept the shorter notice period, and if such majority acceptance is not reached then the notice requirement shall revert to the default 190 days' notice. There was no agreement reached at the workshop as to the preferred methodology for exercising the majority acceptance mechanism. One idea put forward by an attendee was to base it on a percentage of total Access contract holders (i.e. if x% accept then this will be deemed as a majority acceptance of a shorter notice period).

4.3 Introducing other changes under the ALC

4.3.1 We also appreciate that the ALC has several different notice provisions, scattered across the contract attracting different notice requirements, thereby lacking any logical uniformity. For example, the Advertising Mail schedule enables changes to the Advertising Mail service on 4 months' notice. This differs to most other Access services which can be changed on 70 days' notice, for example Magazine Subscription and Business Mail Large Letter.

4.3.2 Figure 1 below provides a breakdown of the existing notice provisions across the ALC illustrating the lack of uniformity.

Proposal 1

- 4.4 To align the contractual notice provisions to USPA Condition 7.4, and to ensure consistency of application of changes to the contract in all areas, we are proposing to amend the existing notice requirements, so that the default notice period for introducing changes to the ALC shall be a minimum of 70 days. We firmly believe that this would be beneficial to the mail industry.
- 4.5 However, the following types of changes would be subject to a majority objection mechanism, where if a majority objection is received (see paragraph 4.6 for options we are proposing as to how the majority objection mechanism will work), Royal Mail will revert to no less than 120 days' notice to introduce the change:
- a. the introduction of new products and services; and
 - b. changes which fall within the 'All other changes' category in Figure 1 below.
- 4.6 In regard to the majority objection mechanism, we are proposing to adopt a fair and democratic method to ensure that the voices of all Access contract holders are considered. There are two options we are considering, both of which apply a threshold which would need to be surpassed for a majority objection to be conclusive:
- a. either 51% objections across the whole Access contract holder group of customers; or
 - b. 51% objections from each customer segment (i.e. 51% from CDA, 51% from carriers, 51% from intermediaries).
- 4.7 We have a strong record of working collectively as an industry to develop and launch new products and initiatives, for example 48-way sortation levels, the Partially Addressed Mail service and the Magazine Subscription Mail service. We believe that this has assisted customers in understanding the specifications of such products and initiatives, and the implications for their own businesses when it comes to implementation, before we formally notify of the change. Royal Mail will endeavor to continue with this collaborative approach of working so that customers are well prepared to implement changes we introduce into their business before the point of formal contract notification.
- 4.8 Figure 1 below provides a comparison of the changes being proposed to the existing notice provisions in the ALC.

Questions

Q1. Do you agree with the above proposed changes to the ALC notice periods, as further detailed in Figure 1 below? If not, what notice periods would you say are reasonable for the benefit of the whole mail industry, and please explain your reasons for such a notice period?

Q2. Do you agree with our rationale for implementing the majority objection mechanism outlined at paragraph 4.6, and if so, which of the two options is your preference? If you do not agree with the rationale, what alternative proposals can you put forward?

Figure 1: Existing notice requirements versus proposed notice requirements

ALC location	Current notice requirement	Proposed notice requirement
General Terms and Conditions and schedules 1-5	New products and services: 190 days	70 days unless majority objection received, in which case 120 days' notice will be provided
	Changes to Access Services: <i>the notice provisions for this type of change are either contained in the respective optional schedules (see below), or where this is not the case, and the change being introduced is NOT a User Guide service specification change, Royal Mail is required to provide 190 days' notice</i>	70 days
	Access Charges, Permitted Variances, Postcode Sectors, Incentives and Promotions: 70 days	70 days (no change)
	Change by Regulator: 90 days	70 days
	Pricing structure: 190 days	70 days
	All other changes: 190 days	70 days unless majority objection received, in which case 120 days' notice will be provided
General Terms and Conditions (User Guide)	Change affecting all IMCs: 190 days	70 days
	Change affecting 1 IMC: 70 days	70 days (no change)
	Change to service specifications: 70 days	70 days (no change)
Schedule 6: Advertising Mail	4 months	70 days under the 'Changes to Access Services' notice provisions
Schedule 7: Responsible Mail	Para 5-8 ONLY on 4 months	70 days under the 'Changes to Access Services' notice provisions
Schedule 8: Mixed Weight	4 months	70 days
Schedule 19: Business Mail Large Letter	70 days	70 days under the 'Changes to Access Services' notice provisions (no change)
Schedule 20: Mailmark	70 days	70 days under the 'Changes to Access Services' notice provisions
Schedule 21: Digital Stamps	70 days	70 days (no change)
Schedule 24: Magazine Subscription	70 days	70 days under the 'Changes to Access Services' notice provisions (no change)
Schedule 28: Partially Addressed Mail	4 months	70 days under the 'Changes to Access Services' notice provisions
Schedule 30: Mailmark Economy	70 days	70 days (no change)

4.9 Data accessibility and use

4.9.1 Customer and supply chain data is, we believe, a fundamental enabler for Royal Mail to drive improvement opportunities for the Wholesale sector. It can help us to understand, for example, vertical sector dynamics, and work with the industry to develop new interventions to meet the needs of Wholesale customers and end users.

4.9.2 Royal Mail Wholesale has increased levels of data being passed to it by its customers, particularly with the growth of Mailmark over the recent years. However, the confidentiality clauses contained in the ALC currently restrict how Royal Mail may use such data. Clause 9.4 of the General Terms and Conditions requires that each party 'shall only use the other's Confidential Information to perform obligations' under the ALC.

4.9.3 The contractual restrictions therefore do not enable Royal Mail to utilise such data for the purposes of proactively gaining better market insight, implementing initiatives and working with the Wholesale industry to prioritise market development work.

4.9.4 Royal Mail Wholesale has, over the past 18 months, developed a Market Insight plan which seeks to understand better the external factors impacting on mail users across different sectors of the Wholesale industry. This work would be enhanced with a clear view of how such factors are impacting demand for mail such that early targeted interventions could be deployed.

Proposal 2

4.9.5 We would like to explore opportunities for Royal Mail, **within the confines of our confidentiality and regulatory obligations**², to be able to access and use the data listed at Figure 2 below, for the following purposes:

- a. to enable us to gain better market insight, understand brand and sector needs, and consequently assist us in planning product development for the benefit of the Wholesale mail industry and optimise mail volumes. For example, insight on industry and sector trends in the use of mail taken from what we see in the network;
- b. to enable the development and marketing of industry collateral such as anonymised case studies;
- c. to support supply chain members in the implementation of Wholesale products and services, including identifying barriers for supply chain members and end clients in using certain products and services; and
- d. to support internal compliance training of Royal Mail employees, in particular being able to use advertising mail seeds in training sessions so that employees can effectively implement compliance checks to determine adherence to advertising mail specification requirements.

² Ofcom USPA Condition 5 provides: 1) a requirement on Royal Mail not to unduly discriminate either between access customers, or against access customers in favour of Royal Mail's retail business (i.e. not to unfairly favour to a material extent an activity carried on by Royal Mail so as to place at a competitive disadvantage third parties competing with Royal Mail); and 2) to secure that no information in the possession of Royal Mail as a result of giving access to its postal network under any USPA Condition to other persons is disclosed for the benefit of or used for the purpose of any trading business conducted by Royal Mail Group.

Data Type	Source of Data	Purpose
Supply Chain IDs	Mailmark	This Mailmark data gives us access to details relating to a supply chain i.e. carrier, bill payer, mail producer, mail originator. We could use this data to: <ol style="list-style-type: none"> 1. identify end brands and sectors which are posting and which products and services they are using or not using; 2. develop industry collateral such as anonymised case studies in collaboration with supply chain members; 3. identify supply chain members who are not using certain products and services, to understand why and to support implementation.
Participant ID	Mailmark	This Mailmark data tells us where participants are registered across various supply chains. We could use this data for the same purposes as Supply Chain IDs.
UCID	Seed log / Dockethub	For non-Mailmark mailings UCID data helps us identify volume, product and posting profile for all UCIDs linked to the customer. We can use this data to identify end brands and sectors which are posting, and which products and services they are using or not using.
SAP Customer/SAP Account Number	Royal Mail SAP	SAP customer name is driven by a unique SAP account number. This data is used to identify customer volumes and revenues by product, by period and across financial years to identify year on year movements to help drive market insight. Customer accounts can be mapped to sectors to then give sector insight.
Advertising Mail physical seeds	DSACC	Customers are required to submit advertising mail hard copy seeds so that Royal Mail can audit compliance with the advertising mail specification and contract requirements. These seeds are held by DSACC. <p>We want to extend the use of the seeds to: 1) enable us to gain market insight, work with brands, flag up new uses of mail and develop market collateral such as anonymised case studies; and 2) use in training sessions so that Royal Mail employees can effectively implement compliance checks to determine adherence to advertising mail specification requirements.</p>
Revenue Protection Data	Dockethub / Mailmark	This data enables us to identify sector problems and issues relating to the use of products and services. We could use this data to support supply chain members to overcome such issues and barriers.

Proposal 3

4.9.6 Dockethub is currently the main source of data used to validate posting customers' volume under the incentive schemes. The data we currently have exposure to makes it very difficult to validate the particular volume posted by the posting customer under an incentive because:

- a. Dockethub data is anonymised;
- b. some UCIDs used by Wholesale customers are not always unique to a particular posting customer;
- c. different Wholesale customers manage UCIDs in different ways; and

- d. some posting customers move volume between different Wholesale customers and mailing house, and therefore will have multiple UCIDs associated to them.

4.9.7 Therefore we would like to work with customers to explore other ways to gain better visibility of end posting customers to support the efficient implementation of the incentives. We believe this level of data will benefit the mail industry, as it will create efficiencies in validating volumes under incentive schemes and enable Royal Mail to use the data to create targeted incentives.

Questions

Q3. Do you agree with the rationale for expanding the scope of the ALC confidentiality clauses to enable the wider use of data to support the Wholesale mail industry?

Q4. Do you agree with the proposed uses of data, set out in Proposal 2, by Royal Mail for the purposes set out in paragraph 4.9.5 above?

Q5. If you do not agree with the above proposed uses of data, set out in Proposal 2, are there particular data types which you would not be happy to share?

Q6. In relation to proposal 3, can you suggest other ways to assist Royal Mail with gaining better visibility within the supply chain and validating volumes effectively under our incentive schemes?

4.10 Contract simplification

4.10.1 Royal Mail has introduced over 120 contract changes since the ALC was introduced in 2013. This has ranged from changes to existing service specifications, to the introduction of new products and services. As a result of all these changes, the ALC has seen an expansion to its original core terms and conditions and is now supplemented by 30 schedules (25 of which are optional), as well as a lengthy user guide.

4.10.2 Due to the complex nature of Access, we appreciate that the contract make-up can be equally complex. However, we have identified ways in which we could alleviate such complexities, fully appreciating that the contract needs a cleanse to make the language and structure simpler and easier to understand. We feel this would lead to better implementation and compliance with the contract.

4.10.3 Furthermore, customers have fed back to us via 121 engagement sessions, and at the customer workshop in March 2020, that consolidation of the ALC is needed to simplify it and make it easier to navigate.

4.10.4 Therefore, we are seeking views on how we may improve the language and structure of the current contract.

Proposal 4

4.10.5 We are proposing the following ways to simplify the current structure and language within the ALC:

- a. Transferring all service and operational specification points which are currently contained in the ALC optional schedules to the Access User Guide. Additionally, we would consolidate existing optional schedules offering a more streamlined list of schedules as follows:

Schedule no.	Schedule title	Purpose
1	Definitions	No change to existing schedule 1.
2	Services	This schedule would contain the same provisions as currently and additionally the provisions of existing Schedule 6 (Advertising Mail), Schedule 7 (Responsible Mail) and Schedule 19 (Business Mail Large Letter), apart from the operational specifications within these schedules which will be transferred to the Access User Guide.
3	Price Plans	No change to existing schedule 3, unless as a result of proposals set out in our forthcoming price plan review consultation.
4	Operational Presentation Facilities	This schedule would contain the provisions of existing Schedule 8 (Mixed Weight), Schedule 9 (Tray Decanting), Schedule 18 (Acceptance by Vehicle) and Schedule 27 (Mixing SCIDs).
5	Container Options	This schedule would contain the provisions of existing Schedule 10 (Tray Loan), Schedule 11 (York Exchange), Schedule 13 (York Hire), Schedule 14 (ALPS Exchange), Schedule 22 (York Leasing) and Schedule 25 (ALPS Leasing).
6	Agency Terms	This schedule would contain the provisions of existing Schedule 17 (Agency Terms).
7	Royal Mail Mailmark	This schedule would contain the provisions of existing Schedule 20 (Royal Mail Mailmark).
8	eManifest Billing	This schedule would contain the provisions of existing Schedule 26 (eManifest Billing).
9	48-Way Sort Mech Letter Option	This schedule would contain the provisions of existing Schedule 23 (48-Way Sort Mech Letter Option).
10	Optional Products and Services	This schedule would contain provisions pertaining to optional products and services, including the provisions of existing Schedule 24 (Magazine Subscription Mail Service), Schedule 28 (Partially Addressed Mail Service) and Schedule 29 (Trunking Service), as well as provisions of pending Schedule 30 (Mailmark Economy Service) when it becomes effective in January 2021. Operational specifications for these optional products and services will be transferred to the Access User Guide.

In making the above changes to the schedule structure the following amends will also be made:

- The clauses relating to the use of 'Ad Mail Information' contained within Schedule 6 (Advertising Mail) and Schedule 7 (Responsible Mail) will be moved to the 'Confidentiality' clause in the General Terms and Conditions;
 - The clauses relating to the provision of seeds/samples contained within Schedule 6 (Advertising Mail) and Schedule 7 (Responsible Mail) will be moved to the Access User Guide;
 - The provisions of Schedule 15 (Early Release), Schedule 16 (Segregation by Format) and Schedule 21 (Digital Stamps) will be moved to the Access User Guide; and
 - We will remove the existing Schedule 4 (Access Indicum) and Schedule 5 (UCID), and alternatively include a provision in the General Terms and Conditions which states that the Access Indicia and UCID methodology shall be as informed to the respective parties in writing.
- b. Review the language used in the ALC and the Access User Guide to add further clarity and consistency across the contract documents.

4.10.6 For the avoidance of doubt, Royal Mail is not seeking to remove or materially amend any provisions of the ALC, unless such amendments are as a result of other proposals being made within this consultation, or any other changes as notified to you from time to time as is normal practice.

Questions

Q7. Do you agree with the proposals to restructure and review the wording of the ALC as outlined above?

Q8. Are there any other improvements you think could be made to the contract structure or interpretation to support better implementation within your business?

4.11 Limitation on claim periods

4.11.1 We may receive claims from Access contract holders for recovery of postage charges or adjustments incurred where the customer has mis-declared mailing items they have handed over to Royal Mail. By way of example, this may happen where the customer:

- a. incorrectly uploads the eManifest for a Mailmark mailing(s);
- b. has declared mailing items using the incorrect Access service, for example uploaded the mailing items on an eManifest as Advertising Mail instead of as Responsible Mail (Intermediate), and as a result they may wish to place a claim with Royal Mail to recover the price differential as a result of the incorrect upload; or
- c. declared the mailing items against an incorrect SCID, UCID or eManifest ID.

4.11.2 Whilst the majority of such claims are submitted to us in close proximity to the time of the associated mailing being handed over to us, there are a handful of claims which are submitted quite a few months after the date the mailing is handed over to us.

4.11.3 Beyond 90 days from the date of the eManifest upload, data is less visible and less robust for Royal Mail to be able to investigate claims efficiently and becomes a more resource intensive exercise for our revenue protection team.

Proposal 5

4.11.4 We are proposing to place a limitation period of 6 months from the date a mailing is handed over to us, for customers to submit claims for incorrect postage charges or adjustments. After this period, Royal Mail shall not be obliged to investigate such claims and where it chooses to do so, we shall be entitled to charge the customer an administrative fee for the cost incurred by us to investigate.

Questions

Q9. Do you agree that it is reasonable for Royal Mail to introduce a limitation period for customer claims for incorrect postage charges or adjustments? And if so, what period of time would you consider to be reasonable?

4.12 Review of performance packs

4.12.1 The ALC currently allows Royal Mail Wholesale and customers to review contract performance on a monthly basis (or any other period as agreed between both parties).

4.12.2 During those monthly performance review meetings, to support contract conformance over the previous month, we provide a performance pack which includes key information relating to the relevant customer's posting performance and contract conformance over the previous month.

4.12.3 Some customers have fed back that they would like to review the contents of the performance pack to make it more useful and relevant to customers.

Proposal 6

4.12.4 So that we may scope the technical requirements for customers' proposals, we would initially like to understand what they would like to see in the performance packs going forward.

Questions

Q10. Do you find the current performance packs meet your needs? For what purpose do you use the packs within your organisation?

Q11. Is there other information which you think should be included in the performance packs?

Q12. Is there any existing information which you think does not need to be in the performance packs?

Q13. How could we make the performance packs overall more useful for customers?

4.13 Change to the assignment clause

4.13.1 In line with many other large companies Royal Mail would like to improve its working capital management and potentially explore the opportunity of receivables financing.

4.13.2 If Royal Mail were to enter into a receivables financing agreement this would not impact on customers. However, in order to do so we need to be able to assign the right to the receivables to third parties.

4.13.3 Currently Clause 14.1 of the ALC does not allow either party to assign the benefit of the contract to third parties.

Proposal 7

4.13.4 Royal Mail proposes to amend Clause 14.1 of the ALC as follows:

Current wording	Proposed change
14.1 Neither of us may assign the benefit of this Contract.	14.1 We may assign the benefit of this Contract. 14.2 You may assign the benefit of this Contract with our prior written consent, which may not be unreasonably withheld.

4.13.5 As you will see from the proposed change, we are opening up flexibility for customers to be able to assign the benefit of the contract. However, as a supplier we need to retain some control over the right to assign,

hence we have included provision for customers to seek our consent prior to assignment taking place. This provides us with necessary protections, for example in the event a customer wishing to transfer their rights to a third party, we can carry out any due diligence prior to the assignment, as we would do when we on-board new customers into Access.

Questions

Q14. Do you agree with the proposed rationale for changing Clause 14.1 of the ALC and the proposed new wording?

4.14 Introduction of sanctions provisions

4.14.1 Royal Mail takes its compliance obligations seriously; both Royal Mail and its customers must adhere to applicable sanctions rules. To reduce the risk that the delivery of mail through downstream access could infringe sanctions rules, Royal Mail Wholesale intends to amend the ALC to ensure that mailing items handed over by Wholesale customers comply with sanction laws.

Proposal 8

4.14.2 Royal Mail proposes to add a new Clause 18.3 to the General Terms and Conditions of the ALC as follows:

18.3 Sanctions:

18.3.1 You must ensure that the Mailing Items handed over to us under this Contract are not prohibited under applicable Sanctions Laws. Information about sanctions can be found on our website at www.royalmail.com/international-sanctions (the information listed here does not constitute legal advice and we accept no liability in relation to this information). If your Mailing Items need a licence under applicable Sanctions Laws, it is your responsibility to obtain it and (if we ask for it) you must provide us with acceptable evidence that you have it.

18.3.2 If we have reasonable suspicion that a Mailing Item does not comply with Sanctions Laws we may:

18.3.2.1 open that Mailing Item or delay processing and delivery; and/or

18.3.2.2 deal with such Mailing Item in our absolute discretion (without incurring any liability whatsoever to you or the intended recipient) including destroying or otherwise disposing of such Mailing Item in whole or in part, or returning the relevant Mailing Item to you.

If we take one or all of the actions described in this clause, we are entitled to charge you the cost of disposal and/or destruction, the standard Postage price and all other costs reasonably incurred by us.

4.14.3 Additionally, a new definition will be added to Schedule 1 of the ALC as follows:

Sanctions Laws

means all laws, export controls, regulations and orders imposing sanctions (including trade restrictions and economic sanctions) on countries, individuals or entities;

Questions

Q15. Do you agree with the proposed rationale for adding the above provisions to the General Terms and Conditions of the ALC?

Section 5

Operational Improvement Opportunities

- 5.1 With the introduction of Mailmark, removal of CBC, and continued efforts to minimise costs and maximise efficiency, we have changed ways in which we operate mail processing and delivery.
- 5.2 The ALC in its current form was launched at a time when Mailmark had not been introduced. Mailmark is now used to send circa 88% of overall letter volumes.
- 5.3 Part of our strategy is to continue to invest in improving supply chain transparency and reducing cost, and Mailmark plays a central role in achieving this. Many of our modernisation initiatives build on the automation technologies associated with Mailmark capabilities, for example eManifest billing and mixing products in containers. We are continuing this strategic aim to optimise the use of new digital capabilities to reduce cost and improve service to the market.
- 5.4 This section sets out Royal Mail's proposals for amending the ALC and Access User Guide to ensure it aligns with our current ways of working, and to assess whether there are other changes which can be made to specifications and process requirements to ensure alignment with current strategy.

5.5 Improving forecasting

- 5.5.1 Currently under the ALC, customers are required to submit a 7 working day rolling forecast (which also includes the 24-hour pre-notification). They also have the option to submit a reforecast by 16:00 for the following day to take account of late changes. Where submitted, Royal Mail will use the data to measure achievement of tolerances, otherwise the 10:00 forecast will be used to measure tolerance.

Proposal 9

- 5.5.2 Forecasting has been on the agenda for change since an industry-wide group was established to address how an improvement could be made to the accuracy of forecasts provided to Royal Mail by its customers, to enable better workload planning and efficient resourcing. Since this time, we have established that, with Wholesale customers unable to improve forecasting accuracy, we should challenge ourselves to explore other options available to help improve accuracy.
- 5.5.3 Therefore we would like to gather views from customers on the current forecasting requirements.

Questions

Q16. Do the current forecasting requirements bring a benefit to your business? If so what are those benefits?

Q17. What proposals could you put forward that would enable better workload planning and efficient resourcing that may derive mutual benefit?

5.6 Simplifying our labelling requirements

- 5.6.1 Section 7 of the Access User Guide prescribes certain labelling characteristics which Royal Mail requires customers to include on container labels. This is called 'Royal Mail defined information'.
- 5.6.2 The Royal Mail defined information on the label is designed to serve two key purposes:

- a. to enable revenue protection processes to take place; and
- b. to enable Royal Mail operational teams to correctly process the work according to format and sortation.

5.6.3 With the introduction of Mailmark, there is less need to carry out manual revenue protection checks within Mail Centres, therefore taking away the need for some of the labelling characteristics. Too much information on container labels can adversely affect the processing of mail by our operational teams.

Proposal 10

5.6.4 We propose removing the requirements for customers to include the following label characteristics on container labels, as they do not serve a purpose for the processing of mail and/or revenue protection:

- a. Unique Originating Customer/Customer Identification Number;
- b. Database Version Indicator; and
- c. Zonal Option Indicator.

5.6.5 In implementing this proposal, we would provide customers with 12 months to enable software changes and embed the changes, although customers would be able to implement the changes sooner should they wish.

Questions

Q18. Do you have any comments on change proposal 10 above?

Q19. Is 12 months a sufficient period of time to enable your deployment of the changes? If not, what do you suggest is a reasonable period of time? It would be helpful to understand what specifically would cause a deployment in excess of a year.

5.7 Making submission of vehicle manifests a standard requirement

5.7.1 Vehicle Manifests are used by carriers, who hand over Access mail into Mail Centres, to provide Royal Mail with the information regarding the vehicles the mail is being handed over from, and details of the containers on each vehicle. They are intended to enable Royal Mail to reconcile the postings which are being brought on each vehicle upon arrival into Mail Centres.

5.7.2 Vehicle Manifests are currently only required for customers who are signed up to Schedule 18 (Acceptance by Vehicle)³ or Schedule 26 (eManifest Billing)⁴ of the ALC.

³ The Acceptance by Vehicle process enables carriers to have more than one Access Slot during an Access Window, in order to handover mail in multiple vehicles. As part of this process, the carrier is required to provide one Vehicle Manifest which provides Royal Mail with the information regarding the vehicles the mail is being handed over in, and the details of the containers on each vehicle.

⁴ Royal Mail's eManifest Billing solution removes the requirements for carriers, who handover Mailmark Letters only into 1 Mail Centre, to upload a Posting Docket. Instead they must provide their posting information by uploading a Vehicle Manifest and eManifest.

- 5.7.3 Our eManifest Billing solution is designed to streamline our customer billing process and to simplify the upload process of documents relating customer daily postings. We are currently working on enhancing the solution so that a wider range of customers can benefit from it. This forms part of our strategy to enable efficiency across the supply chain and modernise the operation through increased automation.
- 5.7.4 With a view to support customers implementing an enhanced eManifest Billing solution when it is launched, we want to expand the use of Vehicle Manifests beyond the restricted requirement currently set out in Schedule 18 and Schedule 26 of the ALC.

Proposal 11

- 5.7.5 Therefore, we are proposing to make the requirement to upload a Vehicle Manifest a standard requirement for carriers, regardless of whether they are signed up to Schedule 18 or Schedule 26 of the ALC.
- 5.7.6 In practice this means that a carrier who is handing over mail into a Mail Centre using one vehicle in one Access slot, and is not participating in our eManifest Billing solution, would need to provide a Vehicle Manifest.
- 5.7.7 We would like to understand what it would take for carriers to implement this proposal.

Questions (for carriers only)

Q20. If you are a carrier, do you agree with the changes set out in proposal 11? Are there any obstacles you would face to implementing the change set out in proposal 11?

Q21. How long would you require to deploy the change set out in proposal 11?

5.8 Making segregation by format a standard requirement

- 5.8.1 Generally under the ALC, where a customer has not signed up to the relevant schedule, carriers are required to segregate each daily posting they hand over on behalf of their own customers by contract (i.e. carriers should not combine postings of different customers within a container).
- 5.8.2 Schedule 16 (Segregation by Format) of the ALC enables carriers to combine each discrete customer posting within a container, as long as the mailing items within that container belong to a single format (i.e. Letter or Large Letter).
- 5.8.3 This also enables Royal Mail to more efficiently designate containers to the correct work area within Mail Centres and to process mail quicker and more efficiently.
- 5.8.4 Segregation by format is currently only required for carriers, and their customers, who have signed up to Schedule 16 (Segregation by Format) of the ALC.

Proposal 12

- 5.8.5 We are proposing to make segregation by format a standard requirement under the ALC.

- 5.8.6 We would like to understand what it would take for carriers who do not currently implement segregation by format, to be able to start implementing this proposal.

Questions (for carriers only)

Q22. If you are a carrier, are there any obstacles you would face to implementing the change set out in proposal 12?

Q23. How long would you require to deploy the change set out in proposal 12?

5.9 Access User Guide simplification

- 5.9.1 The Access User Guide is circa 200 pages in length and, given its primary purpose of being an operational guide for customers to support implementation of mail and service specifications, we would like to review it to ensure it is fit for purpose.
- 5.9.2 We also appreciate that it forms part of the ALC, and therefore must uphold a level of contractual integrity.
- 5.9.3 In implementing recent changes to specifications, for example changes to our Mailmark specifications, we have thought carefully about improving the presentation of the specifications to enable ease of customer implementation. These changes have been met with positive feedback from customers and we would like to continue with this improved development.

Proposal 13

- 5.9.4 We would like to gather views on customers' experience of using the current Access User Guide and implementing its requirements. This includes gathering views on how we may improve the language and structure of the current Access User Guide, as well as what we could do better to present service specifications more effectively.

Questions

Q24. What improvements do you think could be made to the Access User Guide to support better implementation within your business?

Q25. Are there particular parts of the Access User Guide you find challenging to interpret or implement?

Q26. What does an ideal Access User Guide look like to you?

5.10 Quality of Service

- 5.10.1 Royal Mail Wholesale and its customers recognise the importance of having an independent measure of quality to promote the efficient operation of the postal services industry, and to enable a performance measure for the medium of post, which competes in the wider communications market.
- 5.10.2 It is also a regulatory condition for Royal Mail to measure and publish Access quality of service from handover to Royal Mail through to the final delivery address (handover to delivery). The discrete measurement of Access handover to delivery quality of service commenced in April 2007.

5.10.3 Schedule 2 of the ALC sets out the current quality of service standard which Royal Mail Wholesale is required to meet:

- a. We are required to deliver 95% of Access mail on the next working day immediately following the working day on which handover to us occurred⁵. This 95% aim for Access is 2% higher than the target Ofcom has set for Royal Mail 1c USO products (93%);
- b. If less than 90% of Access Mail is delivered in accordance with the service standard, Royal Mail may award compensation, in accordance with the methodology set out in the ALC⁶.

5.10.4 At the customer workshop in March 2020, customers who attended the operational focus group, provided the following feedback:

- a. December performance results should not be excluded from overall quality of service performance measure;
- b. The current 95% performance target should be increased; and
- c. Penalties for failure to achieve target should be reviewed.

Proposal 14

5.10.5 Before we consider any review of the quality of service measurement and compensation measures, we would like to use this consultation to enable customers to elaborate on the above feedback and provide clear rationale for their proposals.

Questions

Q27. Do you think that December performance results, which are measured and reported, should be included in the overall quality of service measure? If so, why?

Q28. Do you think that the current 95% performance target should be changed? If so, why and to what level?

Q29. Do you think the compensation methodology and/or compensation target for failure to achieve the performance target should be reviewed? If so, what are your proposals for change?

5.11 Early Release

5.11.1 Following feedback from customers that awaiting client report sign off to release mail slowed down the commencement of processing, Royal Mail introduced Schedule 15 (Early Release) to the ALC. Schedule 15 enables Royal Mail to release mail for processing mail immediately upon handover.

5.11.2 All Access contract holders have signed up to Schedule 15.

⁵ Paragraph 2.1, Schedule 2 (The Services) of the ALC.

⁶ Paragraph 2.2 and 2.3, Schedule 2 (The Services) of the ALC.

Proposal 15

5.11.3 As all Access contract holders have consented to the early release mechanism being implemented, and Royal Mail has been implementing this process consistently since it was introduced, we are proposing to remove Schedule 15 in the ALC and to make it clear in the Access User Guide that Royal Mail will release your mail for processing upon handover to us as standard procedure.

Questions

Q30. Do you have any objections to our proposal set out above?

Section 6

Next Steps

We encourage our customers to send us their views on these topics as part of this dialogue by 30 October 2020. Please send your feedback to Ravi Chauhan (Access Contract Manager) at ravi.chauhan@royalmail.com.

Following the closing date for comments, we intend to consider the responses with a view to finalising our proposals and sharing these with you in the form of a response document by December 2020. During this period of dialogue, Royal Mail will seek to engage with all customers directly wherever possible to ensure a full understanding of their views.

Unless we have indicated in this consultation that longer timescales may be allowed for deployment of certain proposals, we envisage publishing the contract change notice for the new terms in January 2021 with the changes to take effect from July 2021.

We look forward to receiving your feedback.

Annex 1

Summary of Questions

Section	Proposal Topic	Question
4.2 and 4.3	Notice periods	Q1. Do you agree with the above proposed changes to the ALC notice periods, as further detailed in Figure 1 below? If not, what notice periods would you say are reasonable for the benefit of the whole mail industry, and please explain your reasons for such a notice period?
4.2 and 4.3	Notice periods	Q2. Do you agree with our rationale for implementing the majority objection mechanism outlined at paragraph 4.6, and if so, which of the two options is your preference? If you do not agree with the rationale, what alternative proposals can you put forward?
4.9	Data accessibility and use	Q3. Do you agree with the rationale for expanding the scope of the ALC confidentiality clauses to enable the wider use of data to support the Wholesale mail industry?
4.9	Data accessibility and use	Q4. Do you agree with the proposed uses of data, set out in Proposal 2, by Royal Mail for the purposes set out in paragraph 4.9.5 above?
4.9	Data accessibility and use	Q5. If you do not agree with the above proposed uses of data, set out in Proposal 2, are there particular data types which you would not be happy to share?
4.9	Data accessibility and use	Q6. In relation to proposal 3, can you suggest other ways to assist Royal Mail with gaining better visibility within the supply chain and validating volumes effectively under our incentive schemes?
4.10	Contract simplification	Q7. Do you agree with the proposals to restructure and review the wording of the ALC as outlined above?
4.10	Contract simplification	Q8. Are there any other improvements you think could be made to the contract structure or interpretation to support better implementation within your business?
4.11	Limitations on claim periods	Q9. Do you agree that it is reasonable for Royal Mail to introduce a limitation period for customer claims for incorrect postage charges or adjustments? And if so, what period of time would you consider to be reasonable?
4.12	Review of performance packs	Q10. Do you find the current performance packs meet your needs? For what purpose do you use the packs within your organisation?
4.12	Review of performance packs	Q11. Is there other information which you think should be included in the performance packs?
4.12	Review of performance packs	Q12. Is there any existing information which you think does not need to be in the performance packs?
4.12	Review of performance packs	Q13. How could we make the performance packs overall more useful for customers?
4.13	Change to the assignment clause	Q14. Do you agree with the proposed rationale for changing Clause 14.1 of the ALC and the proposed new wording?
4.14	Introduction of sanction provisions	Q15. Do you agree with the proposed rationale for adding the above provisions to the General Terms and Conditions of the ALC?
5.5	Improving forecasting	Q16. Do the current forecasting requirements bring a benefit to your business? If so what are those benefits?

5.5	Improving forecasting	Q17. What proposals could you put forward that would enable better workload planning and efficient resourcing that may derive mutual benefit?
5.6	Simplifying labelling requirements	Q18. Do you have any comments on change proposal 10 above?
5.6	Simplifying labelling requirements	Q19. Is 12 months a sufficient period of time to enable your deployment of the changes? If not, what do you suggest is a reasonable period of time? It would be helpful to understand what specifically would cause a deployment in excess of a year.
5.7	Making submission of vehicle manifests a standard requirement	Q20. If you are a carrier, do you agree with the changes set out in proposal 11? Are there any obstacles you would face to implementing the change set out in proposal 11?
5.7	Making submission of vehicle manifests a standard requirement	Q21. How long would you require to deploy the change set out in proposal 11?
5.8	Making segregation by format a standard requirement	Q22. If you are a carrier, are there any obstacles you would face to implementing the change set out in proposal 12?
5.8	Making segregation by format a standard requirement	Q23. How long would you require to deploy the change set out in proposal 12?
5.9	User Guide simplification	Q24. What improvements do you think could be made to the Access User Guide to support better implementation within your business?
5.9	User Guide simplification	Q25. Are there particular parts of the Access User Guide you find challenging to interpret or implement?
5.9	User Guide simplification	Q26. What does an ideal Access User Guide look like to you?
5.10	Quality of service	Q27. Do you think that December performance results, which are measured and reported, should be included in the overall quality of service measure? If so, why?
5.10	Quality of service	Q28. Do you think that the current 95% performance target should be changed? If so, why and to what level?
5.10	Quality of service	Q29. Do you think the compensation methodology and/or compensation target for failure to achieve the performance target should be reviewed? If so, what are your proposals for change?
5.11	Early release	Q30. Do you have any objections to our proposal set out above?