



# **Royal Mail Wholesale**

## **Consultation on withdrawing OCR, 1400, 70 Mech and non-barcoded General Large Letters DECISION DOCUMENT**

DATE ISSUED: 15 September 2023

## Background

Royal Mail has proposed to simplify its Wholesale product portfolio in April 2024 by removing OCR, 1400 and 70 mech letter and large letter services and non-barcoded general large letter (GLL) services. Following wide-ranging discussions with Access customers and supply chain partners over a period of 18 months we ran a consultation from 19<sup>th</sup> June 2023 to 31<sup>st</sup> July 2023. The consultation was to gather formal customer feedback on our proposals and how changes might affect them. This document summarises the feedback and sets out our decisions on how we intend to proceed.

## Responses

Thank you to those of you who took the time to provide responses to our consultation.

We received responses to the consultation document from 8 interested parties. At a high level, the response to our proposal to withdraw OCR, 1400 and 70 Mech services was broadly supported by all respondents. On the proposal to withdraw non-barcoded GLLs, two respondents expressed concerns, whilst others were either supportive or offered no view either way.

Having considered all feedback very carefully, we plan to proceed with each of the proposals. In this document we explain our decision in full and where applicable outline the additional support we will make available to customers.

## Our decisions

### 1. Withdrawing OCR Services for Letters and Large Letters

Summary of consultation proposals
<p>We proposed to withdraw Wholesale and Retail OCR services on 1<sup>st</sup> April 2024 on the basis that:</p> <ul style="list-style-type: none"><li>➤ customers pay a lower price for Mailmark services compared to OCR. The migration of machine-readable mail to Mailmark services is almost complete and OCR now accounts for less than 1% of bulk mail volumes.</li><li>➤ from a mailpiece design perspective the Mailmark specification is easier to achieve than OCR; Mailmark only recommends some design features, which are mandatory for OCR services.</li><li>➤ for mail that may be more difficult to barcode we proposed to help customers by introducing:<ul style="list-style-type: none"><li>○ a new chargeable Default Postcode option and</li><li>○ a Mailmark Adjustment Amnesty period for certain charges when switching mail to Mailmark for the first time.</li></ul></li></ul>
Summary of customer responses
<p>Most respondents supported our proposal to withdraw OCR services on 1<sup>st</sup> April 2024 and no major objections were raised.</p> <ul style="list-style-type: none"><li>➤ Two respondents raised a concern that given the risk of adjustment charges, some of their clients are nervous about moving to Mailmark and prefer the price certainty of OCR. Both respondents</li></ul>

stated that the proposed Default Postcode option and Mailmark Adjustment Amnesty would help support their clients in transitioning to Mailmark.

- One further respondent suggested that there may be some smaller mail producers who will find it hard to move to Mailmark by April, although they had not received any representation to this effect from the smaller mail producers at the time of responding to the consultation.
- All respondents said the proposed April 2024 withdrawal date gave them sufficient time to withdraw the OCR service although several pointed out they would need as much notice as possible. One respondent said 6 months' notice would be the minimum required notice.

In relation to our proposal to introduce a new Default Postcode for Mailmark, those respondents that provided comment were all supportive.

- **One respondent said that having the ability to apply a barcode that limits the amount of variable information is key to addressing the concerns of smaller mail producers.**
- **Another respondent asked if the current 10% tolerance we offer for inaccurate Default Point Suffix (DPS) would be impacted by the presence of the default postcode.** Royal Mail's proposal is to combine the count of items with a Default Postcode and those with an inaccurate DPS when it assesses whether the 10% tolerance has been exceeded.
- **Another respondent would prefer it if the Default Postcode option were a standalone service rather than an option that attracts a retrospective service charge due to additional administration requirements.** We have positioned this as a supplementary service option with an additional charge to encourage our preference for having the full postcode in the barcode. We expect that customers will continue to use the postcode wherever they are able to and will only add the default postcode when the address cannot be resolved and added to the barcode/eManifest.

In relation to our proposal to offer a Mailmark Adjustment Amnesty only two respondents provided comment. Both said that the introduction of an amnesty would help support the transition from OCR to Mailmark.

- **Both respondents asked what adjustments would be included in the Amnesty.**
- **Both respondents would like to know how long the grace period would run for. One suggested 12 month and the other a few months to enable new users to make adjustment to their mail. They also asked what customer support Royal Mail would provide.**

#### **Our decision**

We are pleased that customers are supportive of our proposal to withdraw OCR. We will proceed to withdraw OCR services on 1<sup>st</sup> April 2024 and will give 190 days' notice to Wholesale customers.

- To help customers migrate from OCR to Mailmark we will introduce a Mailmark Adjustment Amnesty. The amnesty will support customers for a set number of mailings with full details to be announced soon. The offer will be to customers or mailing campaigns that are new to Mailmark and the amnesty would be for unmanifested item and barcode not seen adjustment charges. Royal Mail expect to offer the amnesty from January 2024, in advance of the OCR service withdrawal, to help customers prepare. Full details of the amnesty will be published in the next few weeks.
- Given the support we have received for the introduction of the new Default Postcode option, Royal Mail has recently announced that the Default Postcode option will be available to use from January 2024.

## 2. Withdrawing 1400 Services for Letters and Large Letters

### Summary of consultation proposals

We proposed to withdraw Wholesale and Retail 1400 letter and large letter services on 1<sup>st</sup> April 2024 on the basis that:

- the high number of SSCs required to achieve the 1400 sortation level directly contributes to low volume container fills which can lead to inefficiency, higher production and network costs and, potentially, higher carbon emissions.
- in recent years the price difference between 1400 and 70 services has reduced to the point where letter prices for 1400 and 70 services are now almost identical.
- we propose to support customer migration to Mailmark through the provision of the Mailmark Default Postcode option and the Mailmark Adjustment Amnesty for new Mailmark postings.
- those customers unable to convert their mail to Mailmark would still have the option of sending their mail via the remaining 70 Manual service option, including the new 70 Advertising Mail Catalogue service.

### Summary of customer responses

Most respondents support the proposed removal of the 1400 service citing potential efficiency benefits including: improved tray fills (meaning more mail in trays); reduction in under volume charges; and potential reduction in transport costs (maximising container fill).

Whilst there were no major objections, one respondent suggested Royal Mail should continue to allow customers access to an equivalent 1400 for genuinely manual mail at a cost-reflective price. However, Royal Mail has automation capable of processing most types of mail and the use of automation provides the opportunity to sort mail to walk level (aka walksort). Royal Mail benefits from the finer level of sortation achieved from walksorting versus 1400-way sort. Whilst a very small proportion may be manually sorted, it would be difficult to define a specification for this.

The proposed removal of 1400 raised the highest number of supplementary questions from respondents, namely:

- **How will Royal Mail support customers who send naked (unwrapped) and polywrap large letter mailings and may find it difficult to move to Mailmark?** Royal Mail allows customers to send unwrapped and polywrap large letters via its Mailmark large letter service. In recognition that customers may need to adapt their mail to make it suitable for Mailmark, we propose to support customers with the Mailmark Adjustment Amnesty for campaigns that have not previously used Mailmark.
- **Can Royal Mail provide the presentation options for the proposed Advertising Mail Catalogue 70 service ASAP?** Royal Mail has decided to publish details of the new Catalogue 70 service before the publication of this consultation decision to give customers detail of the service and to enable launch in January 2024 ahead of the proposed product changes.
- **Will 48-way sort be available as a manual product any time soon?** It is only Royal Mail's mech letter sort plans that are currently optimised for 48-way sort. Anything less than the existing Access 70 sort level for manual letters and mech and manual large letters would increase the amount of times Royal Mail has to handle mail during processing, adding further processing time, resource and therefore cost into our operation. Consequently, we have no plans to introduce 48-way sort for manual items or mech large letters.

- **Will there be a Partially Addressed Mailmark product for postcards not meeting the 3-ply specification?** Currently the 3-ply postcard is the only postcard variant that Royal Mail can process efficiently through its automation. However, because we are aware this design is not suitable for all customers, we are providing an opportunity for customers to develop new postcard (single ply) designs and test their efficiency through Royal Mail letter sorting machines. We announced in August that we will run a postcard design and test programme for mail producers during Autumn 2023. If customers are successful in finding a highly automatable postcard design, we may be able to add this to the Mailmark specification for all service variants, including Economy and Partially Addressed.
- **The max thickness for a Mailmark large letter is 10mm, which is prohibitive for customers who send items that are thicker than 10mm, can RM review the specification?** Thicker mail pieces have the effect of slowing down throughputs on Royal Mail large letter sorting machines. Royal Mail is reviewing options for converting thicker items to Mailmark and in the meantime, we propose to introduce an IRP tolerance on thickness so that we will not raise an adjustment charge for items up to 12mm thick.
- **Are Royal Mail planning to change the spec for the sealing of items to support catalogue type mail moving to Mailmark?** We have no plans to change the current sealing specification, which has been thoroughly tested to ensure compatibility with Royal Mail automation. As is always the case, Royal Mail is open to testing new designs that customers may put forward.
- **Can Royal Mail offer flexibility as to where the barcode can be positioned.** Royal Mail already offers a large degree of flexibility in support of customers who may have design constraints for their mail.

#### **Our decision**

Given the level of support for our proposals we will proceed to withdraw 1400 services on 1<sup>st</sup> April 2024 and will give 190 days' notice to Wholesale customers.

- We will extend the Mailmark Adjustment Amnesty to customers wishing to convert mail from 1400 to Mailmark to support their transition.
- We have also announced the introduction of an Advertising Mail 70 Catalogue service to maintain the special pricing available to catalogues that weigh between 101 and 150g.
- We will run a testing programme for postcards (single ply) during the Autumn of 2023 and we remain happy to support customers with testing of other innovative mailpiece designs if it is likely they may be compatible with Royal Mail automation.
- We commit to reviewing our specifications to assess if it is feasible to bring items thicker than 10mm into the Mailmark service

### **3. Withdrawing Access 70 (Mech) Letter Service Codes**

#### **Summary of consultation proposals**

We proposed to withdraw 70 (Mech) letter service codes on 1<sup>st</sup> April 2024 on the basis that:

- Royal Mail Wholesale makes available two sets of service codes for Access 70 Letters – 70 Mech and 70 Manual. Royal Mail charges the same postage rate regardless of which set of service codes a customer uses.
- following handover to Royal Mail, the Access 70 mail follows the same process regardless of whether it is labelled by the customer as 70 Mech or 70 Manual.

➤ we do not believe there is any benefit to either customers or Royal Mail in having two sets of service codes for Access 70 Letters. Under this proposal the service codes for Access 70 Manual Letters would remain unchanged and customers would be able to continue using them
<b>Summary of customer responses</b> <p>Those respondents that commented were all supportive of this proposed change. In the case of one respondent, they felt this change would be a useful tidy up of a 'totally pointless piece of history'. Another customer suggested we make the changes now rather than wait until next year. However, whilst there is not a contractual notice period which Royal Mail is bound by, in the spirit of giving all customers sufficient notice we do not intend to make any changes before April 2024.</p> <p>We received some additional comments:</p> <ul style="list-style-type: none"> <li>➤ <b>'Mech' codes require yellow tray labels to identify the contents as machinable whereas 'manual' codes require white labels, will this result in any delays in processing the mail?</b> Another respondent observed that many 70 letters and large letters can be processed on automation. This is factually accurate and Royal Mail pricing for 70 services reflects the blend of machineable and manual mail. Because Royal Mail operators will attempt to process all mail through a machine wherever possible, the use of white tray labels will not create delays. Royal Mail will present all containers to automation for the machine operator to assess whether the contents can be automated. The continued use of coloured labels will provide benefits by helping Royal Mail operators to clearly distinguish Mailmark containers (yellow labels) from non-Mailmark containers (white labels).</li> <li>➤ <b>We would need to understand the effect of moving the Mech volume out of the pot that currently contains Mailmark into the non-Mech declaration on DocketHub.</b> Royal Mail doesn't believe this will have any impact on forecasting</li> </ul>
<b>Our decision</b> <p>Given the overwhelming support for our proposal we will proceed to withdraw 70 Mech service codes on 1<sup>st</sup> April 2024 and will give 190 days ' notice to Wholesale customers.</p>

#### 4. Withdrawing non barcoded GLL services

<b>Summary of consultation proposals</b> <p>We proposed to withdraw non-barcoded GLL services on 1<sup>st</sup> April 2024 on the basis that:</p> <ul style="list-style-type: none"> <li>➤ GLL is a Wholesale service for customers who send large letters with fulfilment content.</li> <li>➤ Royal Mail's plan is to have every fulfilment item entering the Royal Mail network identified through use of a barcode. We announced last year our intention is to barcode all GLL volume and customer migration to barcoded services is now almost complete.</li> </ul>
<b>Summary of customer responses</b> <p>Two respondents objected to our proposals to remove non-barcoded GLL services. The remainder of respondents were either in favour or, in the case of two respondents, made no comments.</p> <p>The two respondents who object to the removal of nonbarcoded GLLs queried or stated as follows:</p> <ul style="list-style-type: none"> <li>➤ <b>One respondent was concerned that the requirement to add a barcode may mean they have to move to a more expensive postal tariff.</b> Royal Mail has begun working with this customer to ensure they remain on the most competitive postage rates for the type of mail they send. Upon review we have found an opportunity to find a postage solution that meets this respondent's requirements.</li> </ul>

- Both respondents mentioned they would have technical difficulty applying a barcode to their GLLs and why are Royal Mail proposing to maintain a non-barcoded service for letters and large letters and not GLLs?
- One asked, will the Default Postcode option be extended to GLLs to help overcome some of the technical barriers?
- If GLLs are not machine sorted and the Manual Mailmark barcode not used for sortation purposes, doesn't that negate the need for a barcode?

Most Wholesale GLL volume is now barcoded and Royal Mail uses the barcodes for enhanced operational efficiency. Royal Mail would now like to complete full migration to barcoding.

#### **Our decision**

Given most Wholesale customers have successfully migrated their GLL volume to barcoded services we plan to go ahead with our proposal to withdraw non-barcoded GLLs on 1<sup>st</sup> April 2024 and will give 190 days' notice to Wholesale customers

Royal Mail has launched the Default Postcode option for GLLs to help customers overcome technical barriers to barcoding. We have positioned this as a supplementary service option with an additional charge to encourage our preference for having the full postcode in the barcode. We expect that customers will continue to use the postcode wherever they are able to and will only add the default postcode when the address cannot be resolved and added to the barcode/eManifest.

#### **Next Steps**

The formal contract change notice for the withdrawal of products on 1<sup>st</sup> April 2024 accompanies this consultation decision document. As stated above, we will support those customers who will be required to migrate volume to a different service for example by introducing the Mailmark Adjustment Amnesty on specific adjustments in January 24.

We would like to thank not only those customers who responded to the consultation but to all those customers, mail providers and industry participants that have helped shaped these product simplification proposals over the past 18 months. Your continued input and guidance will help ensure we continue to simplify and improve our services for the benefit of all in the mail industry. We look forward to continued engagement with you as we review and improve our services.