

Royal Mail Wholesale

Setting the Terms and Conditions of Access

A Consultation on the process for requesting access contracts and variations to existing access contracts

	Consultation
Publication date:	3 May 2012
Closing Date for responses:	1 June 2012

1. Context and background

- 1.1 On 27th March 2012, Ofcom published its decision on the new regulatory framework for the postal sector ¹. As part of that framework, Ofcom established a USP access condition which includes a requirement on Royal Mail, as the designated universal service provider in the UK, to offer access at the inward mail centre (IMC) for the provision of D+2 and later than D+2 Letters and Large Letters services (D+2 Access).
- 1.2 The USP access condition requires “Royal Mail to adopt a reasonable, transparent and timely process for postal operators and users of postal services to make requests for access contracts (or variations to existing contracts i.e. a Statement of Process”. In accordance with this condition Royal Mail is required to publish this Statement of Processes within 3 months of the condition coming into force i.e. by 30th June 2012 after having undertaken a consultation with both Ofcom and its access customers.
- 1.3 The Statement of Process needs to address three key areas:
 1. The form in which a request should be made;
 2. The information that the universal provider reasonably requires in order to consider a request for new D+2 Access or a variation to existing D+2 Access; and
 3. The reasonable timescales in which such requests will be handled by the Universal Service provider.
- 1.4 In this consultation we therefore seek the views of our customers and other interested parties on these 3 specific issues and we ask for responses to the four questions posed in this short consultation document by the 1st of June 2012.
- 1.5 From time to time Royal Mail may wish to promote changes to the existing Access Agreements itself. Indeed, we are currently reviewing how the current Access Agreements could be reformed to take account of developments in the UK postal market since the first Access Agreement was signed in 2004. and hope to write to customers with our proposals shortly.

¹ Ofcom (2012) “Securing the Universal Postal Service: Decision on the new regulatory framework”, 27th March 2012

2. Proposed statement of process for requesting access contracts and variations in existing contracts

2.1 Royal Mail has an existing process for requesting access services and making variations to existing contracts which has been in place since 2006. We believe this process has worked well to date and should continue to form the basis of the process going forward. However, it is important that we continue to develop the process in conjunction with our customers. We therefore view this as an opportune time to consult on the process that will be in place under the new regulatory framework with specific regard to the 3 areas set out in USPA 4.1.

(a) The form in which a request should be made

As with the current processes, operators requesting access or variations to existing contracts will be required to make a formal application via the completion of one of two forms depending upon whether it is a new request or a variation to an existing contract.

- (i) Access Request form (Annex 1); or
- (ii) Access Variation form (Annex 2)

These are evolutions of the existing forms² but we welcome any suggestions on the format of these forms or the suitability of using such forms as the means of making the application going forward.

To minimise any delay in processing the application, we would encourage customers to contact us before submitting the form so that we can discuss in detail specific requirements and assist with accurate completion of the form.

(b) The information that the universal provider reasonably requires in order to consider a request for new D+2 Access or a variation to existing D+2 Access

We have reviewed the current application form and concluded that the attached revised application form provides all the information that would be required to fully understand and accurately identify the access service requirements, and the specific costs needed to provide the indicative terms. The forms require information on the service required, points of access, required access window, format; sortation level; volumes; service level, geographic profile requirement, machine readability requirement, and weight (if applicable).

² “New Service Development guidelines and application form” for new requests and “Access Contract Variance Request Form” for variations.

Before we can progress an Access application, it is essential that Royal Mail has all of the necessary information. If this is not the case, we will contact the applicant to request the missing/incomplete information within three days of receipt. Provision of that information is clearly dependent on the applicant's response times. As soon as we have confirmed that we have the full information – within 2 working days – the three month development stage begins.

(c) The reasonable timescales in which such requests will be handled by the Universal Service provider

Our aspiration is to continue to be able to give indicative terms for reasonable requests for an access service within three months. Clearly our ability to do that is heavily dependent on an applicant being in a position to provide information in a timely manner.

It is important to note that changes proposed by the applicant once our development work has started may require us to re-visit some of our internal process steps or even the entire process. Minor modifications that don't require material changes to the proposed solution should not lead to delays. However modifications that change the specification or require us to revisit some of our internal process steps may create a delay. In such (untypical) cases, we will discuss with the applicant the potential knock-on impact to the timescales.

As is currently the case, there will be no requirement that the final terms and conditions must be contractually agreed in the 3 month period. This is for good reason for both participants in the process: there are inevitably discussions about the final details, the applicant often wants to do further market analysis and examine their view of their customer take-up once the indicative or subsequent terms are formulated. For contract variation requests Royal Mail would expect to significantly improve on the 3 month timescale for responding in most cases.

Where an access request gives rise to the potential for significant IT system or operational changes this will inevitably impact the timescales for the final provision of the price and non-price terms. Clearly the precise time that such discussions and development work requires depends upon the specific requirements of any given Application. Both parties will need to commit to there being no undue delay in any such work.

d) Completion of the process

At the end of the process Royal Mail will provide the customer with indicative prices on which it is prepared to offer Access and indicative non price terms for the agreed service specification or, in the case of contract variations a statement of the terms for the proposed variation. There may be cases where the same access services are more/less costly to provide to one customer than another – for example due to differences in the customer’s mail mix or volumes. Under such circumstances Royal Mail may offer different prices to different customers for the same service.

There may also be details to be agreed about precise IT systems arrangements and the basis on which Royal Mail is to recoup investment costs. For example, for Royal Mail to prioritise scarce investment resources, a firm commitment to the means by which the offsetting of costs will be achieved if volumes are so low (or even non-existent) that an applicant’s proposal loses money whilst the applicant’s risk is minimal and disproportionately low Royal Mail may in fact lose money. Previously, where these costs have been material, Royal Mail has asked for an indemnity to cover its reasonable development costs in the event that the volumes forecasted by the applicant, do not materialise and so costs are not recouped through the price charged. This will continue to be the case under the proposed process.

3. Consultation Questions

We welcome responses to the following questions:

Question 1 - *the form in which a request should be made*

Do you agree that the use of an Access request form (annex 1) and Access variation form (annex 2) represent a fair and reasonable process for the instigation of a request for a new access service?

Question 2 - *the information required*

Do you think that the proposed Application Form and Contract Variation Form appropriately identify the information that should support such an application?

Question 3 - *the timescales*

Do you agree that an indicative timescale of three months is fair and reasonable?

Question 4

Are there any other aspects of the Access request and variation processes process that you wish to comment on?

4. Next Steps

This consultation is being run for four weeks from the 3 May to the 1 June. We will then develop our final proposals taking into account our customers' and other interested parties input. We propose to discuss our final proposals with Ofcom in late May so that we can meet the three month stipulation to publish the statement of process in June.

Please send your response by the 1st June at the latest to Stephen Agar at Royal Mail Group, 3rd Floor, 100 Victoria Embankment, LONDON EC4Y 0HQ.

Annex 1: Access Request form

USP Access Request Form and Guidelines

Introduction

Ofcom has established an access condition (USPA condition) on Royal Mail as the universal service provider. The USPA condition applies to access to the universal service provider's postal network at the inward mail centre (IMC) for the purposes of providing D+2 and later than D+2 Letters and Large Letters services (D+2 Access).

This Request Form and associated guidelines are provided to assist customers who are seeking to gain access to Royal Mail's postal network in a way not available at the time of their making a request. They are based on the Royal Mail Wholesale Unit's experience to date and are designed to be as unrestrictive as possible.

Process Guidelines

Royal Mail will use this form to accurately identify the customer's access service requirements. However we do encourage customers to contact us before submitting the form so that we can discuss with you in detail your requirements to assist you with accurate completion of the form. Please complete a separate request form for each access service that is requested. All sections of the form must be completed: if customers wish to present additional information separately, they may do so. Our aspiration will be to provide a statement of the main terms on which, subject to agreement on other terms and conditions, we would be prepared to offer to provide the service requested. For reasonable requests this will happen within 3 months of receipt of a fully completed request form.

Once you have completed the form we will discuss your requirements with you with a view to preparing and agreeing a detailed service specification. Once the service specification has been agreed, we will provide you with indicative prices for the service requested. Indicative prices are without prejudice and subject to contract. We will deal with all requests for access in a fair and reasonable manner.

Royal Mail will provide updates against the following broad stages of the 3 month process:

- End of week 1: confirm the application form contents and requirements are understood
- End of week 3: ensure high level service specification meets customer requirements and progress update
- End of week 6: provide second progress update
- End of week 9: confirm RM business concurrence process is on track

As the prices we will provide will include an element for all costs specific to the service you require, it is important that you provide sufficient information to enable us to identify these costs. For example, in the case of the mainstream mail processing activities of sortation, transport and delivery, other costs areas that should be considered may include (but may not be limited to) some or all of the following:

- Revenue Protection
- Handover
- Account Billing
- Customer complaints
- Contract Management
- Implementation and set up costs
- Systems development
- RM Selection file
- Booking in procedures
- Over-labelling
- Use of RM equipment
- Date stamping
- Costs of sampling
- Storage

All information provided to Royal Mail Wholesale will be treated in strict commercial confidence. Should you have any queries about how this form should be filled in please contact Mike Haskins on 07889 075907

USP Access Request Form

Customer Details

Name		
Job Title		
Company		
Contact Details	Telephone No	
	Mobile	
	Email	

Description – please provide any additional free form text in a separate document if required

Background	Describe service or application required? What are the key needs to be met? ²
Description of Service Required	Where the requested service has operational similarities to an existing Royal Mail service (retail or wholesale), then it would greatly assist if the similarities and differences were itemised.

² This information will assist us in ensuring that our indicative offer will meet your commercial needs and so shorten your time to market.

Points of Access

Is the request for IMC Access Yes/ No

If you are requesting anything other than IMC access please provide details	
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If you are requesting IMC access but don't require access at all IMCs please specify which ones	
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Required Access Window

Day(s) of week	
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Time(s) of day	
----------------	--

Service Level

The day of delivery will be calculated from the date Royal Mail accepts mail.

Please state your required service level?	i.e. within how many days from date of acceptance do you require the mail to be delivered?
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If you require something other than a delivery service please give a description of the service level you require	
---	--

Geographic Profile Requirement

Please indicate whether your geographic profile for delivery is likely to be national or based on a specific zone, region or city.	
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Format

- **'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 0g and 100g.
- **'Large Letter' (Flat)** means an item which is no larger than 353mm X 250mm and no thicker than 25 mm. Large Letters must weigh between 0 - 750g.
- **'A3 Packet'** means an item which is no larger than 420mm X 297mm and no thicker than 25mm. A3 Packets must weigh between 0 - 750g.
- **'Packet'** 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. Packets must weigh between 0g and 5kg.

Please tick the format(s) relevant to your access request

Letter	
Large Letter	
A3 Packet	
Packet	

Access Sortation Levels

Access 70 Access 70 is a sortation level for machineable letters and non-machineable letters, large letters, A3 Packets and packets. It requires customers to pre-sort their mail into 88 postcode selections prior to handover to Royal Mail.

1400 – Sorted to Delivery Office level

1400 is a service for machineable letters and non-machineable letters, large letters and packets. It requires customers to sort their mailing (letters, large letters, A3 packets or packets) into approximately 1525 selections.

Please tick the sortation level(s) you will be presenting as or give details if your required sortation levels are different:

70	
1400	
Other (please specify)	

Machine Readable Services

OCR

OCR is a service for machineable letters and Large Letters only. To qualify for this service, customers must use an Optical Character Recognition (OCR) font for printing the address and meet defined design criteria.

CBC

CBC is a service for machineable letters only. To qualify for this service, customers must apply a Customer Bar Code (CBC) and meet defined design criteria.

Please tick the machine readability option(s) you will be presenting

OCR	
CBC	
Manual / Other (please specify)	

Weight of items

Flat rate prices

Letters, Large Letters and A3 Packet items below 250g will be priced on a flat rate and the total cost of a mailing will be calculated by multiplying the total number of items in the mailing by the Item Rate.

Packet items below 750g will be priced on a flat rate and the total cost of a mailing will be calculated by multiplying the total number of items in the mailing by the Item Rate.

Straightline prices

Large Letter and A3 Packet items that weigh over 250g will be priced on the average item weight using a straightline price.

Packet items that weigh over 750g will be priced on the average item weight using a straightline price.

Please tick the weight(s) you will be presenting

100g and under	
100g to 250g	
Over 250g	
Over 750g	
Over 2kg	

Please provide as much detail as possible in relation to the weight range and maximums in the additional information box below.

If you wish to combine two or more of the above weight bands for a single format in one container please specify this in the additional information box below.

Additional Information:

Posting Volumes by Format

Please specify anticipated daily volumes by letter, large letter, A3 packet and packet. Where volumes are expected to differ by day, please indicate and include known variations

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Please specify anticipated annual volumes by letter, large letter, A3 packet and packet for the first 3 years.

	Letters	Large Letters	A3 Packets	Packets	Annual Totals
Year 1					
Year 2					
Year 3					
Format Totals					

Is there any other information that you consider might be useful to Royal Mail in constructing a specification and price? (Please use a separate, free form document if required)

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For Royal Mail Use

Date application form received	
Date that full details needed to progress application received (if different to above)	
Date application due to be completed	

Annex 2: Access Variation form

USP Access Variation Form

Customer Details

Name			
Job Title			
Company			
Contact Details	Telephone No		
	Mobile		
	Email		

Elements of the Agreement affected by the request

Elements	Main Body of the Agreement	Schedules	User Guide
Section Number(s)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Change Request

Change Request	
Reason for the Request	

Current specification	Requested specification

Royal Mail Contract Variance Analysis ~ (To be completed by RMW)

Royal Mail Contact Details.

Date Received			
By			
Job Title			
Stakeholder Analysis Completed	YES/NO	Date Completed	

Royal Mail response to the change request

Change Accepted by Royal Mail	By	Luisa Fulci
	Job Title	Director Regulated Products
	Signature	
	Date	

Change Rejected by Royal Mail	By	Luisa Fulci
	Job Title	Director Regulated Products
	Signature	
	Date	
	Reason/s	

Elements of the Agreement amended

Main Body of the Agreement

Version No:	
Section No:	
Revised Wording:	

Date amended to reflect changes	
Date published on Royal Mail website	

Schedules

Version No:	
Section No:	
Revised Wording:	

<i>Date amended to reflect changes</i>	
<i>Date published on Royal Mail website</i>	

User Guide

Version No:	
Section No:	
Revised Wording:	

Date amended to reflect changes	
Date published on Royal Mail website	