



# **Royal Mail Wholesale**

## **Consultation on changes to the Access Letters Contract**

### **DECISION DOCUMENT**

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## Background

This document sets out our decisions on the proposals we made as part of simplification of the Access Letters Contract (ALC) consultation.

We published a consultation document in September 2020, seeking your views on change in two areas – commercial and operational. The consultation proposals built on feedback we received from customers during 121 engagement sessions in 2019, and a customer workshop held in March 2020, as well as other improvement opportunities we identified through our own internal scoping.

## Responses

We received responses to the consultation document from 11 Access customers across all customer segments – carrier, intermediary and direct. We also invited all customers to participate in post-consultation 121s, and we held 121s with 8 customers.

We have carefully considered our proposals in light of all customer comments and this has significantly influenced the decisions on the proposals and how to progress with them.

## Our decisions in consideration of your responses

### 1. Notice Periods

<b>Summary of consultation proposals</b>
<p>We proposed:</p> <ul style="list-style-type: none"><li>➤ the introduction of a new clause that enables us to give customers 70 days' notice to introduce new services and products unless a majority objection (see below) is received, in which case we would provide 120 days' notice;</li><li>➤ the introduction of a new clause that enables us to give customers 70 days' notice to implement changes which fall into existing Clause 13.2.1(a) unless a majority objection (see below) is received, in which case we would provide 120 days' notice; and</li><li>➤ alignment of all other notice provisions across the ALC to 70 days.</li></ul> <p>In relation to the majority objection mechanism, we proposed two options for customers to provide feedback on:</p> <ul style="list-style-type: none"><li>➤ OPTION A: if 51% objections received across the whole Access Letters Contract holder group of customers, notice period will revert to 120 days; or</li><li>➤ OPTION B: if 51% objections received from each customer segment (i.e. 51% from CDA, 51% from carriers, 51% from intermediaries), notice period will revert to 120 days.</li></ul>
<b>Summary of customer responses</b>
<p>In their responses to the consultation proposals, and specifically relating to our proposal to consolidate all notice periods to 70 days, some customers fed back that the existing notice periods:</p> <ul style="list-style-type: none"><li>➤ should remain as they are. The existing notice periods allow customers time to implement changes from a resource and systems perspective and provides time to raise contract disputes;</li><li>➤ were negotiated with Access customers to reflect the complexity of the changes; and</li><li>➤ act as a safeguard for customers to manage change scenarios which could impact the viability of their business activities.</li></ul>

In relation to our proposal to introduce a majority objection voting mechanism when introducing new services and products, some customers fed back that:

- voting should be based on acceptance rather than objection;
- the acceptance threshold should be increased to 65% - 75%; and
- Royal Mail should provide transparency in terms of the voting results.

In consideration of the above, we used the post-consultation 121 sessions to put forward an alternative approach as follows:

- to introduce a new clause that enables us to give customers 70 days' notice to introduce new services and products, with a **majority acceptance** mechanism at **60%** across the whole Access contract holder group. If the majority acceptance threshold is not met, we would extend the notice period to 120 days;
- to introduce a new clause that enables us to give customers 70 days' notice to implement 'all other changes' which do not impact on customer systems. If a change does impact on customer systems, and does not fall within one of the other notice period provisions (e.g. changes to prices or profiles), such a change will be introduced on 120 days;
- to introduce a new clause that enables us to give customers 70 days' notice for changes to existing services (including User Guide specifications) on 70 days; and
- to leave all other notice periods as stipulated in the existing ALC.

At the 121 sessions, some customers were in agreement with the above alternative approach. Other customers did not reject the alternative approach outright but fed back on various elements, specifically:

- option B of the voting mechanism proposed in the consultation (i.e. voting broken down by customer segment) is more workable as some changes affect certain customer segments more than others;
- reiteration that the acceptance threshold should be increased to 65% - 75%;
- nil responses should be marked as an abstention; and
- reiteration that Royal Mail should provide transparency in terms of the voting results.

#### **Our decision**

We see value in providing for an opportunity to introduce new products and services on a shorter notice period of 70 days. This will enable the mail industry to respond swiftly to a changing environment, and importantly to maximise opportunities to retain and grow mail volumes.

We appreciate that customers require time to implement changes, however we also acknowledge that different customers have different lead times to implement changes from a systems perspective. Hence, we believe a democratic system which gives all customers the opportunity to vote for or against a shorter notice period would work well when introducing new products and services.

Therefore, in consideration of the customer feedback received, we have decided:

- to introduce a new clause that enables us to give customers 70 days' notice to introduce new services and products, with a **majority acceptance** mechanism at **67%** from **each** customer segment (i.e. 67% from CDA, 67% from carriers, 67% from intermediaries). If the majority acceptance threshold is not met, we will extend the notice period to 120 days. Nil responses will be marked as an abstention and the 67% threshold shall be calculated only on the basis of the total number of members of each customer segment who have voted. The voting results will be provided to Access customers showing as the percentage results achieved for each segment;
- to amend clause 13.2.1(a) of the Access Letters Contract:
  - to allow us to implement 'all other changes' by giving 70 days' notice where the change does not fall within one of the other notice provisions in the ALC and where the changes do not impact on customer systems;
  - if a change does impact on customer systems and does not fall within one of the other notice period

- provisions (e.g. changes to prices or profiles), such changes will be introduced on 120 days; and
- for the purpose of this clause, a change will be considered as having an impact on a customer's systems if the change requires, in our reasonable opinion, a material modification or update to the customer's information technology or mail delivery systems to enable the customer to meet the presentation specifications (the requirements in the Access User Guide as to how mailing items must be sorted, segregated, presented and handed over to us, including meeting the service specifications). In practice we intend to engage with customers in advance, where appropriate, to determine if a change has an impact on your systems;
- to introduce a new clause to enable changes to existing services (including User Guide specifications) on 70 days. It is important to note that this change only impacts on Advertising Mail, Responsible Mail (which is being withdrawn from 4 January 2022), Partially Addressed Mail and the Mixed Weight service all of which currently require 4 months to change those services. All other existing Access services can be changed on 70 days' notice under the current provisions of the ALC; and
- to leave all other notice periods as stipulated in the existing ALC.

## 2. Data Accessibility and Use

<b>Summary of consultation proposals</b>
<p>We proposed:</p> <ul style="list-style-type: none"> <li>➤ amending the confidentiality clauses of the ALC to enable wider use by Royal Mail Wholesale of customer and Access data (including SCIDs, Participant ID, UCID, SAP Account Number, Ad Mail seeds, Revenue Protection Data): <ul style="list-style-type: none"> <li>○ to enable Royal Mail Wholesale to gain better market insight, understand brand and sector needs, and consequently assist us in product development and volume enhancing interventions;</li> <li>○ to enable the development and marketing of industry collateral;</li> <li>○ 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</li> <li>○ to support internal compliance training of Royal Mail employees.</li> </ul> </li> <li>➤ We also asked customers to explore other ways to help Royal Mail Wholesale 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 Wholesale to use the data to create targeted incentives.</li> </ul>
<b>Summary of customer responses</b>
<p>Overall there were two main challenges which customers fed back regarding Royal Mail Wholesale's proposals to widen the scope of data access:</p> <ul style="list-style-type: none"> <li>➤ Access customers have negotiated their own confidentiality clauses and contracts with their end customers, some of who have their own restrictions on the use of their data (e.g. financial institutions) and, therefore, seeking approval from their own customer base may be challenging; and</li> <li>➤ Some Access customers held a concern that providing widened access may give Royal Mail or other competitors an unfair advantage over them.</li> </ul> <p>There was a consensus amongst the majority of customers to consider widening the scope of data access, if Royal Mail Wholesale were very specific about the uses and benefits, for example using data at sector level. Some customers were open to a consent-based approach.</p>
<b>Our decision</b>
<p>In consideration of customers' feedback relating to this proposal and the sensitivities pertaining to this</p>

subject area we have decided to progress this proposal outside of the ALC review, with further customer engagement to be planned. Specifically, we would like to discuss with customers how we could further support commercial conversations with them, through our Letter Specialists, by:

- identifying mail originators/sectors that are using mail to the advantage of their business;
- facilitating the potential development and marketing of industry collateral to support the case for mail;
- identifying those end posting brands that have reduced volume, and then agreeing an engagement plan with the relevant Access contract holder/s to establish what additional support Royal Mail Wholesale can provide to help them grow and retain mail volume.

We would also like to discuss with you making amendments to the confidentiality provisions of the ALC to enable Royal Mail Wholesale to use Access customer data retrieved from Mailmark Qlikview and SAP to report internally on Wholesale financial performance, including sector and key market trends, and give a monthly performance update to senior management (who for the avoidance of doubt are subject to USPA 5 compliance).

We are aiming to invite customers to participate in conversations on this in late Autumn 2021.

### 3. Contract Simplification

#### Summary of consultation proposals

We proposed:

- consolidating the optional schedules from 30 to 10, categorising current schedules into umbrella topics (e.g. Container Options);
- transferring all process and specification points from optional schedules to the Access User Guide; and
- simplifying the existing contract language.

#### Summary of customer responses

Some customers raised a concern that the proposed changes to the ALC would require a change to their own customer contracts, causing resource and time constraints. Royal Mail Wholesale explained, during the 121 sessions, that this proposal will not change the substance of the contracts. We are only proposing changing the structure and simplification of wording, to help clarify interpretation. Customers do not necessarily need to reflect such changes in their own contracts if they do not wish. This clarification provided assurance to those customers who had raised this concern. However, some customers still felt that changes would require scrutiny by their own legal teams, which would lead to increased cost.

Some customers had, we believe, misinterpreted our proposals believing we were intending on moving the optional schedules of the ALC to the Access User Guide. Royal Mail Wholesale clarified, at the 121 sessions, that we are only proposing to move specification/operational points from the optional schedules to the Access User Guide. For example, there are clauses in the Advertising Mail schedules which cover presentation requirements (i.e. obligations to present Advertising Mail items in trays or bags). These are already set out in the Access User Guide, and as such do not require duplication. Such clauses are better placed in the Access User Guide, as they explain to customers how to meet the presentation requirements of the products.

#### Our decision

We have decided to proceed with the revisions of the contract with a view to simplifying the current structure.

To support customers and their legal teams with understanding the breadth of the changes, when we formally notify of the changes, we will provide a summary document of changes for customers to use as a point of reference.

#### 4. Limitation on Claim Periods

##### Summary of consultation proposals

We proposed introducing a limitation period of 6 months (from the date of handover) for customers to submit a claim for recovery of postage charges or adjustments incurred where the customer has mis-declared mailing items they have handed over to Royal Mail. After this period, we proposed that Royal Mail would be entitled to charge the customer an administrative fee for the cost incurred by us to investigate.

The limitation period is being introduced primarily to:

- address the accessibility issues caused by data storage limitations (data is stored for 90 days) associated with our internal systems;
- address the resulting costs and complexity of dealing with claims where data is no longer stored; and
- encourage efficient claims from customers.

##### Summary of customer responses

In response to the consultation proposals there were no objections from customers to the introduction of a limitation period in some form, however some customers fed back that:

- the limitation period should commence from the date of an invoice being raised, rather than the date of handover;
- the limitation period should only be the period within which the claim should be submitted for investigation, and not the period within which the investigation of the claim expires; and
- Royal Mail Wholesale should implement its own SLA for the investigation and resolution of claims.

Some customers also suggested there should be a limitation period only for smaller claims and no limitation period, or a longer limitation period, for larger claims.

##### Our decision

We have decided to implement a contractual policy as follows:

- Claims under £5,000 in value must be submitted within 90 days from the date of invoice being received;
- Claims over £5,000 in value must be submitted within 6 months from the date of invoice being received; and
- Royal Mail will apply its own SLA to investigate and conclude the claim within 30 working days commencing from the date which we have received all requested information from the customer, as required to investigate the claim.

We have decided not to implement an administrative charge system.

It is important to clarify that the limitation period only dictates the window within which the claim should be submitted. Royal Mail will continue to investigate such claims beyond the limitation period end date, and subject to the SLA outlined above.

#### 5. Review of Performance Packs

##### Summary of consultation proposals

We asked customers to provide feedback on the current composition of the performance packs so we could scope technical requirements for change.

##### Summary of customer responses

Some customers fed back that they find some of the information within the packs irrelevant and asked for a more tailored pack, and some customers wish to see more Royal Mail related performance data, for

example a breakdown of Royal Mail's Quality of Service.

#### **Our decision**

Both parties have a contractual obligation to formally review contract compliance on a monthly basis and these reviews will continue to be held as normal. The performance packs are a by-product of this and they are helpful in forming the basis of focal points for discussion during those meetings, and to record any contract and service-related issues.

The performance packs are auto-system generated and further work is needed to assess the impact of the changes requested by customers. Therefore, we have decided to progress this proposal outside of the ALC review, with further customer engagement required and a business case to be developed in Winter 2022.

However, in the first instance, we will be rebranding the packs as 'Management Information Packs' as this is more reflective of the objective for issuing the documents.

We would also like to remind customers of existing data sources which provide updates on Royal Mail's operations:

- We have a service update page on the Royal Mail website which provides daily updates about disruption in the network within our distribution hubs, mail processing centres and delivery offices across the UK. Customers can also sign up to receive email updates regarding issues in their postcode area.
- We publish the USO Quality of Service reports quarterly on the Royal Mail website, which reports down to a postcode area level and which customers can refer to understand any particular geographic areas where there have been issues.

## **6. Change to the Assignment Clause**

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

To enable Royal Mail to enter into a receivables financing agreement we need to change the assignment clause of the contract. This is in line with many other large companies who include such provision to improve their working capital management. We proposed amending the wording of the existing clause as follows:

*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.*

#### **Summary of customer responses**

Some customers felt the proposed wording was one-sided and too broad.

#### **Our decision**

In consideration of customers' feedback, we have decided to restrict the amendment so that the clause wording is more specific to Royal Mail's ability to assign for the purposes of entering into a receivables financing agreement. The wording will be as follows:

*14.1 We may assign any of your payment obligations under this contract without your consent. We may assign the benefit of the Contract for any other purpose with your prior consent, which may not be unreasonably withheld.*

*14.2 You may assign the benefit of this Contract with our prior written consent, which may not be unreasonably withheld.*

## 7. Introduction of Sanctions Provision

<b>Summary of consultation proposals</b>
To reflect the fact that both Royal Mail and its customers (and ultimately posting customers) must adhere to applicable sanctions rules, and to reduce the risk that the delivery of mail through downstream access could infringe sanctions rules, we proposed adding a new sanctions clause 18.3 to the ALC, to ensure that mailing items handed over by Access customers comply with sanction laws.
<b>Summary of customer responses</b>
Some customers felt that the requirement we set out in the proposed wording was already covered in the ALC by Clause 3.1.6, which provides a broad obligation on the customer to ensure mailing items comply with all relevant laws and regulations.  However, the proposed wording we are seeking to introduce on sanctions is intended to provide more certainty within the contract by calling out specific law.
<b>Our decision</b>
It is common practice to include such provisions in commercial contracts to protect a company's interests. The new wording does not place any new obligations on customers (who must already comply with relevant sanctions rules). The wording we have used aligns with the equivalent clauses we have used in other Royal Mail Group commercial contracts.  We have, therefore, decided to make the amendment to the ALC as proposed in the consultation.

## 8. Improving Forecasting

<b>Summary of consultation proposals</b>
We asked customers to provide feedback on the current forecasting requirements under the ALC.
<b>Summary of customer responses</b>
The majority of customer responses to the consultation requested that the requirement to provide a 7-day and 24-hour forecast be removed.  Some customers also suggested that Royal Mail should consider using Mailmark eManifest data to drive forecasting.
<b>Our decision</b>
The forecasting provisions within the ALC are designed to support Royal Mail's workload planning and efficient resourcing. We appreciate that forecasting requires further analysis to determine viable options for simplifying the current requirements and assessing the impact on our operations. To date, we have been able to review the cost of over forecasting with historical customer data and this was communicated in a change notice notifying customers of changes to the surcharge rate for over forecasting, to ensure this properly reflects the costs incurred. However, given the impact of the Covid pandemic and the focus by our Operations team on prioritising Covid-related challenges which are still ongoing, we have been unable to fully impact assess the implications of making other changes to the contractual forecasting requirements.  This is an area we are very keen to progress as we do appreciate the mutual benefits in simplifying the current requirements and exploring options available to help improve accuracy. Therefore we have decided to progress this outside of the contract review, with further internal assessments and customer engagement required. An engagement session with national carriers and the SMP has already taken place in August, and further sessions will be planned with other Access customers and relevant industry bodies through the remainder of 2021.



## 9. Simplifying our labelling requirements

<b>Summary of consultation proposals</b>
We proposed removing certain labelling requirements including UCID, Database Version Indicator and Zonal Indicator.  As part of the proposals, customers would have been able to implement the changes at a time convenient to them within a 12 month window. After this period, the change would have become mandatory.
<b>Summary of customer responses</b>
Some customers fed back that they use the UCID label characteristic within their operation and this should not be removed.  Some customers also fed back that they would incur cost if the changes were mandated.
<b>Our decision</b>
In consideration of customers' feedback we have decided: <ul style="list-style-type: none"><li>➤ the UCID characteristic shall be retained; and</li><li>➤ customers can optionally choose to remove the Database Version Indicator and Zonal Indicator characteristics. This will not be made mandatory.</li></ul>

## 10. Making Submission of Vehicle Manifests a Standard Requirement

<b>Summary of consultation proposals</b>
Vehicle Manifests are currently only required for customers who are signed up to Schedule 18: Acceptance by Vehicle or Schedule 26: eManifest Billing of the ALC.  We proposed making it a general requirement for a Vehicle Manifest to be supplied regardless of Acceptance by Vehicle or eManifest Billing sign up.
<b>Summary of customer responses</b>
Some customers, who would be impacted by this change, fed back that they had barriers in their existing systems to implementing this, and would incur significant cost.
<b>Our decision</b>
We have decided to withdraw this proposal. We will continue dialogue with the above customers outside of the ALC review, to understand their barriers to change and to support the finding of a solution which works towards standardising Vehicle Manifests within the ALC.

## 11. Making Segregation by Format a Standard Requirement

<b>Summary of consultation proposals</b>
We proposed making segregation by format a standard requirement under the ALC.
<b>Summary of customer responses</b>
There were no customer objections to this proposal.
<b>Our decision</b>
We have decided to proceed with the proposal. The Access User Guide will be updated to reflect that as

standard, carriers can 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).

## 12. Access User Guide Simplification

### Summary of consultation proposals

We asked customers to provide views on how we may improve the language and structure of the Access User Guide, as well as what we could do better to present service specifications more effectively.

### Summary of customer responses

Whilst some customers felt that the Access User Guide did not require any change, other customers felt that the Access User Guide is too long and is in need of consolidation.

### Our decision

In consideration of customers' feedback, we have decided to proceed with the simplification of the Access User Guide. This forms part of the overall simplification of the ALC as outlined above. It will include removing duplication and ensuring that all process and specification points which customers and their supply chain are required to adhere to are contained in one document and are presented in an organized and simplified manner to support customer implementation of the ALC.

## 13. Quality of Service

### Summary of consultation proposals

Before we consider any review of the Quality of Service measurement and compensation measures, we asked customers to elaborate on feedback previously given to us regarding the current contractual Quality of Service standard (as specified in Schedule 2 of the ALC<sup>1</sup>).

### Summary of customer responses

Customers asked us for a review of the existing contractual Quality of Service target, stating it should be increased to between 97-98.5%, and the compensation threshold should be aligned to the contractual Quality of Service target.

Customers also asked us to include December performance results in the overall contractual Quality of Service performance measure.

### Our decision

In relation to customers' request to include December performance, we believe excluding December performance continues to be the most appropriate way to calculate annual quality, given the higher levels of volumes and consequent operational pressures on our network in December. This also aligns with our USO Quality of Service targets, which exclude the Christmas period for the same reasons.

We have also decided that the current contractual Quality of Service target of 95% should remain as is, as it accounts for reasonable failures at both an indoor mail centre level and at a walk delivery level.

Regarding customers' request for Royal Mail to review the contractual Quality of Service compensation threshold, integral to assessing this request is the impact of the Mailmark Economy service (launched on 4

<sup>1</sup> 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 occurred. 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 ALC.

January 2021) on Quality of Service before reaching a view on any potential changes. Therefore, we have decided to review this element outside of the contract review, when we have a consistent level of data relating to our performance against the Mailmark Economy service standard.

## 14. Early Release

Summary of consultation proposals
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All Access contract holders have consented to the early release mechanism (Schedule 15: Early Release of the ALC) being implemented, and Royal Mail has been implementing this process consistently since it was introduced. Therefore, we proposed removing Schedule 15 of the ALC and making it clear in Schedule 2 of the ALC that Royal Mail will release customers' mail for processing upon handover to us as standard procedure.
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Summary of customer responses
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There were no customer objections to this proposal.
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Our decision
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We have decided to proceed with the proposal.
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### Next Steps

We are now working on developing the contract changes for those proposals that we are taking forward at this stage, with a view to issuing a formal contract notice to customers in October 2021, for changes to become effective from May 2022.

I would like to thank you once more for taking the 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. I look forward to continuing to engage with you as part of the next phase of this ALC review.