



15th March 2013

Royal Mail Wholesale

148 Old Street
London
EC1V 9HQ

Dear Customer,

I wrote to you on 15th February 2013 to update you on our work (since the summer) with customers and the mailing industry to improve customers' ability to comply with our OCR and CBC service specifications. I would like to take this opportunity to give you a further update on progress.

Firstly, I'd like to share the objectives we hoped to achieve with this work. They are:

- To review and re-launch our Machine readable specifications (OCR and CBC) to ensure that they are presented in a way which are as simple as possible for customers to understand and achieve, whilst protecting our capacity to deliver our commercial and automation ambitions;
- To consider what opportunities are available to 'revenue protect' based on actual machineability of mail;
- To update our processes to ensure that we remain customer focused at all points, without compromising commercial integrity;
- To commission an external audit of our sampling methodology and share the outputs with Ofcom and a high level summary of the report with customers; and
- To obtain input from customers, supply chain partners and industry groups as part of the solution development process.

Classification of machineable service specifications

As I indicated in February, we have continued to review the specification for OCR and CBC services. Customers told us it was too onerous for them, in a manufacturing environment, to adhere to all attributes of the OCR and CBC service specification, 100% of the time. Therefore, to address those concerns, with effect from April 2nd 2013, we will revise the policy to distinguish between attributes of the specification which are 'primary' and those which are 'secondary'.

Attributes of the specifications which have been classed as 'primary' will continue to be checked by our Revenue Protection teams as either a core check or a 'speed camera' check. We will no longer be checking attributes classed as 'secondary' at Revenue Protection. OCR and CBC mail will now simply be presented to our sorting machinery and that which is not machineable, will attract a retrospective surcharge.

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The approach of applying a retrospective surcharge based on actual machineability of mail, wherever possible, was one of our key objectives. This reflects customer feedback where it was recognised that things can, and indeed, do go wrong with mailings and where mail was physically non-machineable, then customers would accept such a charge.

Where OCR and CBC mail is found to be non-machineable, we will continue to apply our existing proportionality matrix which was shared in October 2012 and is available on our website. We will use existing channels and processes via DSACC to ensure, in line with the Access contract, that our customers are informed within 24 hours of handing their mail over to us whether any surcharges are appropriate. We continue to work with our customers and industry to improve these elements of the process.

To help our customers understand the change of approach to our service specifications, we have developed a 'Quick Guide' with input from customers and industry representatives. We have added further transparency by showing the impact and consequence should problems be identified with mail failing to meet an attribute. The Quick Guide will be circulated to you and will be placed on our website, royalmailwholesale.com for you to download and use. This guide should help to ensure that our specifications are as simple to understand and achieve as possible.

Envelope sealing specification

The envelope sealing attribute within the specification will remain **BUT** it will be classed as 'secondary'. This means that our Revenue Protection teams will **NOT** be checking for the envelope sealing attribute either as part of our core checks or as a 'speed camera' check. We will simply present the mail to the machine and if we are unable to process the mail in our sorting machinery because of incorrect sealing then it will attract the retrospective surcharge as detailed above i.e. it will only incur a surcharge if the items are not able to run through our machines. We hope our customers and the industry will see this as a very positive outcome of the work on this issue.

We promised our customers and the industry that we would always allow six months' notice for speed camera checks and we maintain that commitment to you. I can confirm that, as a result of the change of classification to the sealing attribute of the service specification, there will be no 'speed camera' check in April 2013

External audit

Regarding the external audit of our sampling methodology, we had hoped to be able to share the results with Ofcom and a high level report with our customers by the end of February 2013. This piece of work is not yet complete and is taking longer than anticipated, however, we remain committed to achieving this objective. We are, and will continue to, keep Ofcom and customers informed of our progress.

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Communications

We plan to hold or attend a number of events and meetings over the coming weeks where we would be happy to answer any specific questions you have on any of the changes detailed in this letter. We hope to attend the Wholesale Access Group, the DMA Reversions Working party, the Mail Presentation Advisory Group, as well as the Strategic Mailing Partnership road shows which are happening next week. Alternatively, your Access Account Director will be able to answer any queries you may have.

Finally, I would like to take this opportunity to offer my sincere thanks to all those who have helped us over the past five months to develop these changes. This collaborative way of working has been viewed positively by both customers and industry groups and we look forward to continuing to work together in the future to seek new opportunities to improve the quality of mail, our machineable specifications and processes. We will continue to keep all of our customers informed of any changes which result from this work.

Yours faithfully,



Jenny Ledger
Network Access Director
Royal Mail Wholesale