

Royal Mail Wholesale

Current and Planned Changes to Royal Mail Wholesale Services

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Current and Future Developments

- Changes to Zonal Pricing
- NGPP Consultation
- Access 70

Zonal Pricing

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Zonal Pricing – Changes in 2010

- Old Zones

A - Business/High Density

B - Urban

C - Suburban

D - Rural

E - Deep Rural

Zonal Pricing – Changes in 2010

- Old Zones

A - Business/High Density

B - Urban

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D - Rural

E - Deep Rural

- New Zones

A – Urban

B – Suburban

C – Rural

D - London

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Zonal Pricing – Changes in 2010

- Old Zones

- New Zones

A - Business/High Density

B - Urban

C - Suburban

D - Rural

E - Deep Rural

A – Urban

B – Suburban

C – Rural

D - London

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The London Zone

- Geographically within the M25
- Defined within the context of 3 digit SSCs

e.g. 679, 6791, 67911

- Where a 3 digit SSC straddles the M25:

If more than 50% of mail delivered inside M25, then whole SSC is in the London zone

If more than 50% of mail delivered outside M25, then whole SSC is outside the London zone

- Will be zones A, B or C

Zones A, B and C defined in the context of Postcode sector

- e.g. OX18 3xx

Pricing

	Old Zones	New Zones
Lowest	A - Business/High Density	A – Urban
	B - Urban	B – Suburban
	C - Suburban/National	National Price
	D - Rural	C – Rural
Highest	E - Deep Rural	D - London

Ongoing Changes

- Allocation of Postcodes to Zones recalculated annually
- New mandatory release of Access Database every April

Process published on Royal Mail Wholesale web site

Contains new zones/changes

- Monthly interim releases will add new Postcode sectors/zones only

Definition of London zone

Zonal Pricing - Summary of Changes

Change from 5 zones to 4

Zone D is London “within” the M25

National Price now sits between zones B and C

Annual mandatory database release update to incorporate changes to Postcode sectors/zones to coincide with tariff changes

Effective from 6th April 2010

National Geographic Posting Profile (NGPP)

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NGPP - Background

- Zonal prices defined in the context of Postcode sectors
- Current NGPP defined in the context of Postcode areas
- Opportunity for arbitrage noted by Postcomm and addressed through their Licence Modification

NGPP - Consultation

- Royal Mail consultation on changes to the NGPP
October 2009
- 14 responses including 2 trade associations
 - RMW met with all respondents
 - Further consideration given to a number of issues
- Second consultation published 8th April 2010
 - Contains revised proposals
 - Invitation to respond by 10th May 2010

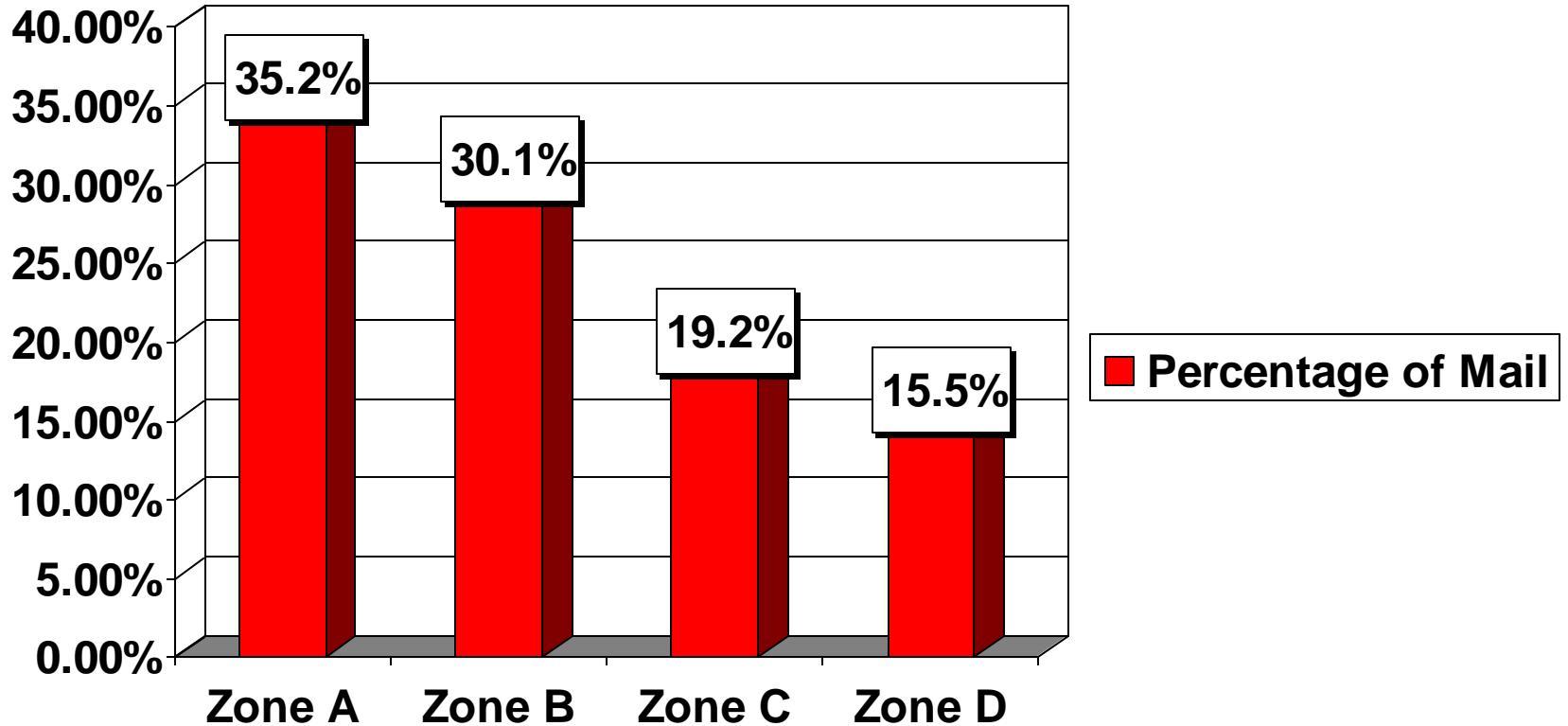
NGPP Consultation – Latest Proposals

- NGPP Defined in the context of Postcode sectors
 - Aligns with Zonal pricing*
- Remove mandatory Postcode areas requirement
- Customer's actual geographic profile measured as percentage of mail posted to each zone over the 12 month reference period

Extract of Current NGPP

POSTCODE AREA	NATIONAL GEOGRAPHIC POSTING PROFILE	MANDATORY POSTCODE AREAS ^[1]
B	3.17%	M
BR	0.50%	M
BS	1.73%	M
CF	1.32%	M
CR	0.61%	M
DA	0.57%	M
E	1.29%	M
EC	0.60%	M
EH	1.40%	M
EN	0.56%	M
G	2.07%	M
HA	0.76%	M
IG	0.63%	M
KT	1.01%	M
L	1.14%	M

Proposed NGPP

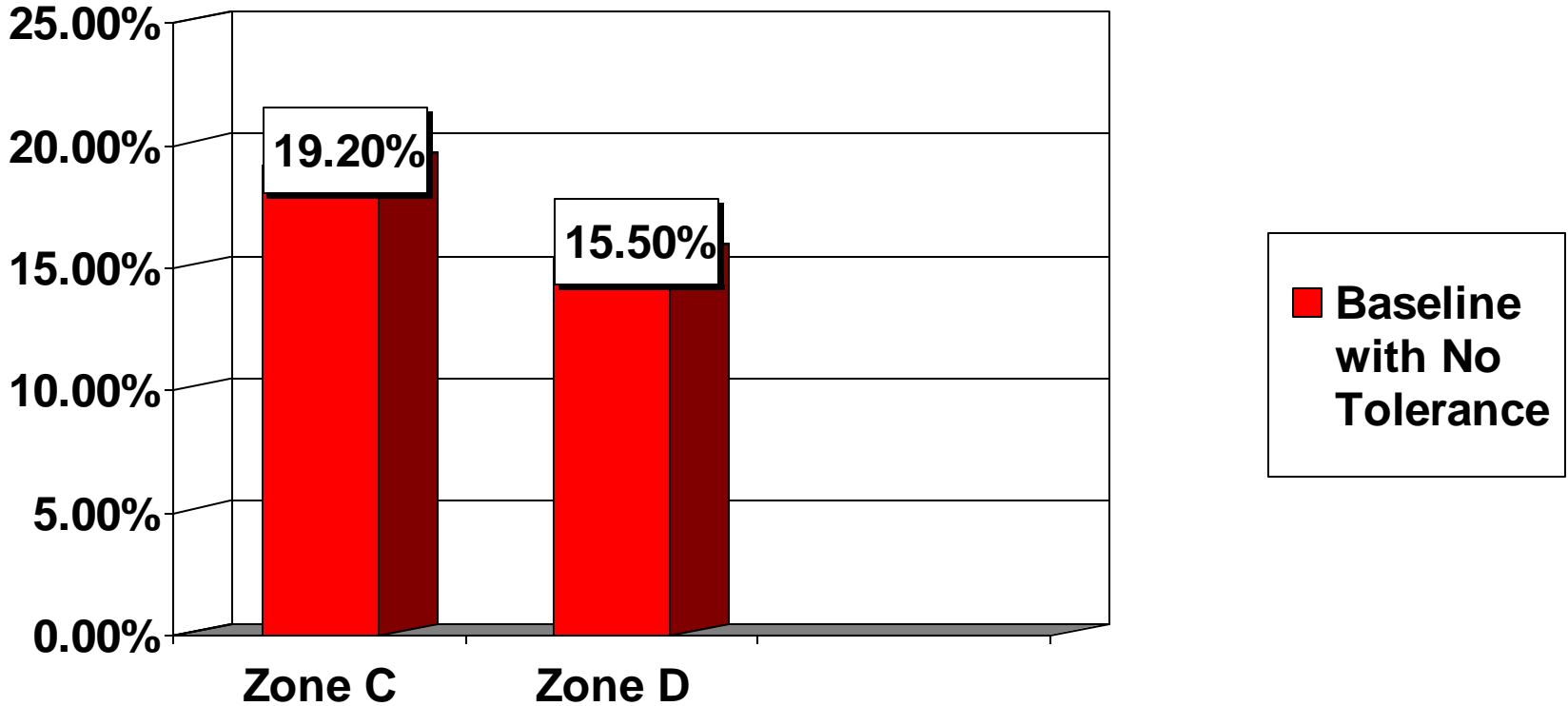


Proposed NGPP – Cont.

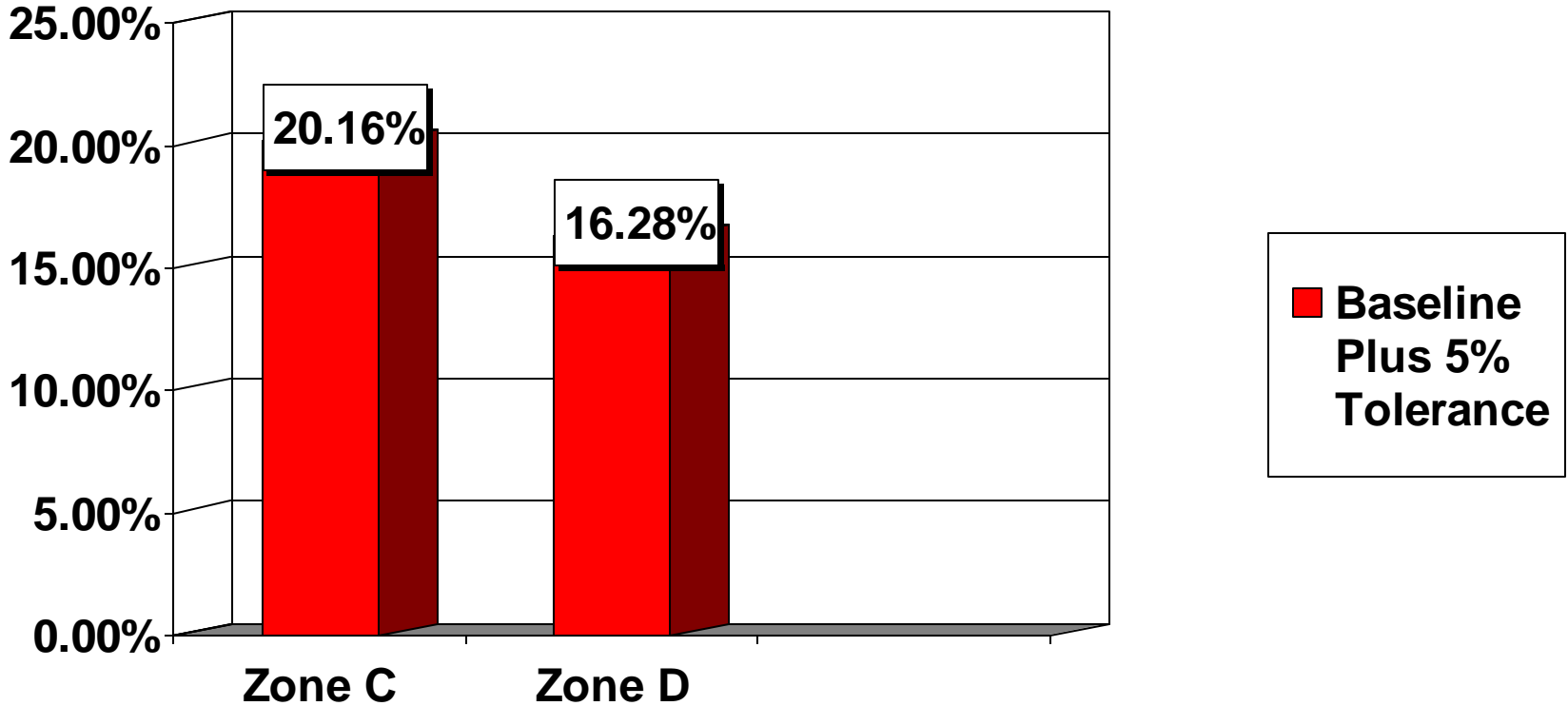
- Replace “All Reasonable Endeavours” with 5% tolerance
- Adherence based on max. percentage of mail posted to zones C and D, plus 5% tolerance, within reference period

Surcharging based on whole profile

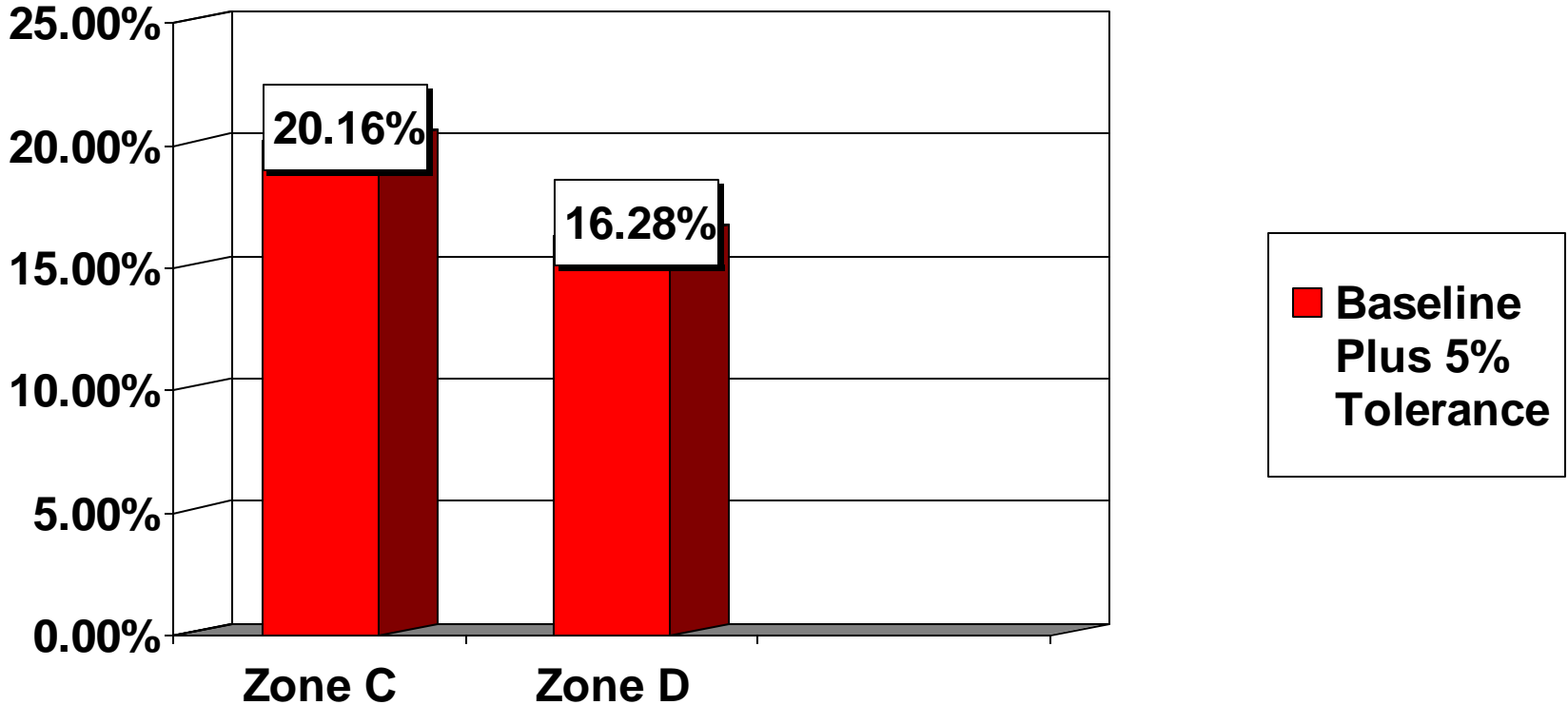
Proposed NGPP - Tolerances



Proposed NGPP - Tolerances



Proposed NGPP - Tolerances



Potential surcharge if either or both exceeded

NGPP - Monitoring

- Two Options proposed :
- Customer submits zonal manifest

Proposed 0.1p per item discount for data provision/zonal item indicator

or

- RM Sampling to derive customer's actual geographic profile
Sampling available indefinitely
- Any single customer may use a combination of the above

NGPP Proposals – Cont:

- Reference period: discreet 12 months – April to March
 - Bi-monthly reporting of customer performance
- NGPP baseline adjusted annually
 - Derived from Royal Mail “Mail Characteristics Survey” (MCS)
- 2010/11 - monitor only – no surcharging
 - Planned to commence Sept. 2010

NGPP Proposals - Summary

- NGPP defined in the context of Postcode sectors
- Adherence defined as maximum percentage of mail to zones C and D over reference period (1 year)

Surcharges based on whole profile

- Remove “All reasonable endeavours”, replace with 5% tolerance
- Monitoring - customer options: zonal manifest or RMW sampling

0.1p per item discount for zonal manifest and zonal item indicator

Access 70 OCR/CBC

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Access 70

Subject to RM Business approval

- Access 70 is currently planned to be launched late September 2010
- Access 70 will require the release of a new (mandatory) Access database.

The new sortation level will be incorporated into a new single access database that will cover all services.

Access 70 Mail

Our new Access 70 service is currently planned to have the following features,

- A reduced number of selections compared to existing Access 120 & 700 (initially around 85 selections and then reducing to approximately 70).
- Available for Letter format OCR and CBC only.
- Items will need to be presented in trays only (excl. CI's & IOM).
- Prices for all CBC variants will be constant irrespective of the level of sortation i.e. 700, 120 and 70
- Prices for all OCR variants will be constant irrespective of the level of sortation i.e. 120 and 70

Access 70 - How it Works

- New (single) Access database
- Available for download 3 months prior to launch
- New database will incorporate 70 (85) selections

First 2 digits of the 5 digit SSC

- New database is backwards compatible with existing solutions

Software/systems only requires a change in order to use Access 70

New database will still support Access 700 and Access 120

Access 70 – Benefits

- Potential for fewer undervolume trays
- Reduced label production
- Reduced mailing house segregation
- Simpler data segregation
- Reduced IMC forecasting alignment
- Increased tray fill
 - Fewer tray breaks
 - Faster production
- Fewer selections
 - Fewer pockets to clear for sorting machines

Thank You

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