

# Save on postage *think small*

## About Postcomm

**Postcomm** – *The Postal Services Commission* – is an independent regulator. It was set up under the Postal Services Act 2000 to further the interests of users of postal services. Postcomm's main tasks are to:

- seek to ensure a universal postal service at an affordable uniform tariff
- further the interests of users, where appropriate through competition
- license postal operators
- control Royal Mail's prices and quality of service
- give advice to the government on the future of the Post Office network.

Postcomm's policies are steered by a board of seven commissioners, headed by the chairman, Nigel Stapleton.

**Welcome to the new compact COMMENTary. The new smaller format is in anticipation of Royal Mail's new pricing structure, Pricing in Proportion (PiP), which takes account of the size of mail as well as weight, and comes into operation on 21 August.**

Although we have resized COMMENTary to suit the cheapest category in the new pricing arrangements, it hasn't shrunk. It will have the same amount of information because we have given it more pages – although we will be careful to stay below 5mm thickness so we qualify for the lowest 'Letter' postage rate.



*Larger letters must be sorted by hand and will cost more from 21 August.*

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The change of format means that from 21 August we will have cut our mailing costs by **14p per copy**. Had it been left in its original A4 size, it would need a 37p stamp to post second class. Reducing its size means it still only needs a 23p stamp. It's even cheaper (21p) if you use a franking machine.

As 21 August draws nearer, Royal Mail is stepping up its campaign to make business users aware of the changes. Already it has mailed half a million templates to its account holders and other larger postal users, and it is working on a similar mailshot to around three million businesses that are registered for VAT.

Post Offices are set to receive their own transparent plastic template which will enable customers to check their mail at the counter before they pay for the postage.

To qualify for the lowest postage rate, from 21 August a letter envelope must measure no more than 240 x 165mm with a maximum thickness of 5mm and a maximum weight of 100g.

If it exceeds any of these measurements, it may qualify as a large letter (353 x 250mm, max thickness 25mm, max weight 750 grams). Anything bigger, thicker or heavier will be classed as a package.

## Cost-cutting **NAO** style



**According to *Improving the Efficiency of Postal Services in the Public Sector*, a report by the National Audit Office (NAO), the public sector spends almost £650 million a year on post, amounting to 10 per cent of the total UK licensed market.**

**More efficient management and purchasing of postal services by the public sector could save an estimated £31 million a year by 2008-09, the report says, and many of the savings can be made quickly and cheaply. The advice applies just as much to businesses as it does to public organisations.**

You could make substantial savings with very simple changes, the report says. The NAO suggests you start by asking a few questions. Below are some of them:

#### **Are there specific deadlines for mail?**

If not, savings can be made by using longer delivery services such as second class class mail, two-day delivery from competing operators or Royal Mail's Mailsort 3 service.

#### **Can your own mailroom do some of the sorting?**

Work-sharing agreements with your mailer can earn discounts of between 5% and 46%. This may involve using software to sort mail into postcode order, mechanical sorting, manual sortation or outsourcing the sorting.

#### **Could you use Royal Mail's Cleanmail to reduce costs?**

This service requires only basic labelling to earn a discount.

#### **How are you paying for your mail?**

If you are spending more than £5,000 a year, it could be cheaper to use pre-printed Postage Paid Impression envelopes instead of stamps or franking machines.

#### **If you use Special Delivery, is it really necessary?**

Perhaps use of this premium service can be reduced.

#### **Do you offer free reply services?**

Check that the take up justifies the cost.

#### **Have you considered the impact of Pricing in Proportion – Royal Mail's new pricing system which comes into force in August?**

From 21 August 2006 mail will be priced by size as well as weight. For mail weighing up to 100 grams it will be cheaper to use a C5 envelope than a C4.

The NAO has put this and lots of other advice into a booklet: *A guide to better postal services procurement*. It can be downloaded from the NAO website:

**[www.nao.org.uk/publications/index.htm](http://www.nao.org.uk/publications/index.htm)**

Don't forget Postcomm's website, where you will find a list and contact details of all the operators we have licensed.

# Stamp prices rise

in line with price control



**On 3 April, basic first and second class stamp prices rose by 2p to 32p and 23p respectively, in line with Postcomm's final price control proposals. The proposals, which are still subject to agreement of the small print in Royal Mail's licence:**

- Safeguard the one-price-goes-anywhere universal service.
- Provide an unprecedented £1.2 billion for Royal Mail to invest in modernising its network.
- Allow Royal Mail an average of £320 million a year towards reducing the £4bn deficit in its pension fund.
- Require Royal Mail to increase its efficiency by at least 3% per year.

Following further consultation, Postcomm has made some minor amendments to these core proposals. These are:

- Including Royal Mail's Presstream 2 – a second-class mail product used extensively by magazine publishers – within the price control. Consultation showed that effective competition did not exist or appear imminent in this market segment.
- Spreading Royal Mail's extra revenue more evenly over the four-year period of the control. Extra revenue in the year from April 2006 will be limited to 4%, rather than the 6.2% originally proposed.
- A change to Royal Mail's pension pass-through mechanism which will provide further assurance that the company has sufficient funds to deliver the universal service. The change will have no impact this financial year, but from April 2007, if the deficit has risen to more than £5.9bn, Royal Mail would be allowed an increase in revenue of up to 0.8% for each year until 2010. If triggered, this modification could put an extra 1p on the price of first class stamps by 2010 – to a total of 37p.

# Make PAF more accessible, says **Postcomm**

**Royal Mail's Postcode Address File (PAF) – the electronic database containing every address in the UK – should be more widely available and managed by a separate business unit within Royal Mail, Postcomm says.**

Originally created by Royal Mail to improve the efficiency of its postal service, the PAF is now used by a wide variety of companies doing business with large numbers of people, such as insurance companies, banks, travel companies and utilities, and is extensively used by database companies to verify the address information they hold.

Postcomm reviewed the management of the PAF after concerns that Royal Mail was planning to change the way it charged for the service. There were also concerns that Royal Mail might seek to exploit the PAF unfairly, that maintenance was below par and that some companies received unduly preferential or discriminatory terms.

Published as a consultation document, Postcomm's review proposes:

- No change in Royal Mail's ownership of the PAF, but it should be managed, maintained, developed and distributed by a separate business within Royal Mail.
- Formal consultation procedures and the creation of a PAF advisory board.
- Fair, objective contractual arrangements between Royal Mail and those who supply address data to the PAF (such as local authorities).
- Royal Mail should pay the same price to use the PAF as any similar user.
- Tighter regulatory controls, with revenues based on reasonable allocation of costs and greater transparency in finances, performance and decision making.

*"PAF has become an essential resource for UK businesses as well as a vital part of the UK postal industry,"* said Postcomm chairman, Nigel Stapleton. *"We think it is right that Royal Mail should continue to own and manage it, but in the fully competitive mail market we need to make sure it is not used by Royal Mail to discriminate against its competitors."*

The document, *Postcomm's proposals for the future management of the PAF*, is published on Postcomm's website.

# Nine mail companies secure government framework agreements

**Nine postal operators – including Royal Mail – have been approved for framework agreements by OGCh buying.solutions (OGCBS), the arm of the Office of Government Commerce that helps government organisations procure goods and services on the best terms. The frameworks were set up in response to the opening of the UK mail market to full competition on 1 January 2006.**



A form of pre-qualification, the frameworks are fully compliant with European Union requirements and considerably speed up the procurement process for public sector buyers.

Frameworks have been awarded to: DHL Global Mail; DX Network Services Limited; Lynx Express Limited; Mail Plus Limited; Royal Mail; Special Mail Services; The Mailing House Group Limited; TNT UK Mail Limited and UK Mail Limited.

The current agreements run for two years with the option of two one-year extensions, dependent upon performance. Each framework enables a customer to negotiate a price to reflect its own operational mail volumes and circumstances.

*“The framework isn’t a guarantee of business, but it is an opportunity for companies to offer their services to government buyers,” an OGCBS spokesman said.*

More details are on the OGC website:  
<http://online.ogcbuyingsolutions.gov.uk/notices/index.html?id=46>

# Postcode penalty

Postcomm has confirmed a financial penalty of £271,000 on Royal Mail. The penalty follows Royal Mail's contravention of its licence in 2004-05 in relation to poor performance in the following London postcode areas: SE (intra and posted), E (intra) and WC (posted). The penalty is due to be paid to HM Treasury on 14 June. Before confirming the penalty, Postcomm took account of representations from Royal Mail and other parties.



The delivery targets against which Royal Mail consistently underperformed in the postcode areas are for:

- 'Posted' mail – mail posted in one postcode area to any other. In 2004-05, the performance target for this type of mail was for 91% of first class stamped and metered mail to reach its destination the next working day. (The target in 2005-06 was 91.5%).
- 'Intra' mail – first class mail posted to an address within the same postcode area. The performance target here was 92.5%.

Postcomm's report into *Royal Mail's postcode area performance, Royal Mail's quality of service performance: report on investigation by Postcomm into performance in seven postcode areas* was published on 10 February 2006. It is available on Postcomm's website, which also contains the decision document.



# POSTCOMM to host Post Office debate

**The future of Royal Mail's Post Offices has generated heated debate throughout the country at many levels, from residents' associations and parish councils to the House of Commons, the House of Lords and the European Union.**

The UK's Post Office network faces many challenges. Changes in social, demographic, technological and economic conditions have meant that the way people use Post Offices is changing.



In an attempt to bring together many different strands of the discussion in one place, Postcomm is hosting a Post Office debate which will involve the leading UK stakeholders – Post Office Ltd, the National Federation of SubPostmasters, the consumer body Postwatch, and the Communication Workers Union. To add an international flavour we will also have a speaker from La Poste who will outline some of the French postal authority's initiatives.

The event has been designed to encourage feedback from the audience on a broad range of issues. Presentations will be short and there will be time for question and answer sessions. A report of the proceedings will form part of Postcomm's annual report and recommendations to the Department of Trade and Industry on the Post Office network.

Postcomm's **Post Office debate: your chance to have your say** will take place on 5 July at the Hilton Metropole Hotel, NEC, Birmingham. Entry is by invitation. If you would like one, contact Jessica Collett, 020 7593 2156, [jessica.collett@psc.gov.uk](mailto:jessica.collett@psc.gov.uk). If you cannot come along but have a point you want to make, you can send us your questions and views for the debate by email, on: [postofficedebate@psc.gov.uk](mailto:postofficedebate@psc.gov.uk).

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