



Postcomm has produced a leaflet explaining the proposals for SBP. For a copy contact Jessica Collett, [jesssica.collet@psc.gov.uk](mailto:jesssica.collet@psc.gov.uk), 020 7593 2156

## TNT links with Express Dairies

TNT Mail, a subsidiary of the Dutch mail provider TPG N.V., has signed a two-year agreement with Express Dairies, owned by Arla Foods, to offer mail deliveries using milk floats.

The deal will enable TNT to deliver large non-time sensitive mail items to over six million UK households. The partnership will offer businesses a service for large bulk letters and heavier addressed packages.

Express has been delivering mail items for three years and has a strong customer base of its own, providing a service for distributors of books, CDs, contact lenses and photographs. The collaboration is the next step in growing their mail volume.

## Size based pricing

**Royal Mail wants to change the way it charges for the mail to take account of the size of the item. If agreed, this would be the most significant change in postal charges since the introduction of the Penny Black.**

At the moment the price of the stamp depends on the weight of the item. But Royal Mail says it costs more to sort, handle and deliver big envelopes and packets and it wants stamp prices to take account of the size of the envelope. Raising prices for this type of item will make this part of its operation more cost-reflective, it says.

Before it can do this it needs permission from Postcomm and we are engaged on a three month consultation to canvass the views of postal users.

The proposed changes would mean that light-but-bulky mail would cost more. For example a cassette of film or an ink jet printer cartridge sent through the post at present, if it weighs 60 grams or less, would cost 28p first class. Under Royal Mail's proposals, postage for these items would rise to 93p. The price of posting CDs, DVDs, video cassettes, large greetings cards and such things as posters rolled up in a tube, would also go up. The table overleaf shows the proposed changes.

The price changes are designed to be revenue neutral – so that Royal Mail's overall turnover from its mail operation would remain the same. To balance the increases some heavier items such as books and magazines, would cost less. Royal Mail is also proposing to stretch the maximum weight for the first step of mail from 60g to 100g.

Royal Mail has suggested three sizes for a letter, a large letter and a packet.

**A letter** is mail that would fit into an envelope 165mm x 240mm (approx. 6in x 9in) and not more than 5mm (approx. 3/16 in) thick. This would include DL and C5 envelopes.

**A large letter** is mail that would fit into an envelope 250mm x 353mm (approx. 9in x 14in) and not more than 10mm (approx. 3/8in) thick. Standard C4 envelopes would fit this size.

**A packet** is mail that either measures more than 250mm x 353mm or is thicker than 10mm.

More ►



► *Size based pricing continued*

Around three quarters of users posting ordinary letters will not be affected, Royal Mail says, but Postcomm has already had objections from mail order photo-finishers, the greetings card industry and some magazine publishers.

Postcomm's consultation document, *Royal Mail's Proposals to Introduce Size Based Pricing*, is on Postcomm's website. Responses are requested by 27 July and can be made electronically to [sbp@psc.gov.uk](mailto:sbp@psc.gov.uk).

**Royal Mail's proposed prices – how they compare**

	weight	First class		Second class		Includes
		price	SBP	price	SBP	
<b>Letter</b>	0-100g	28-42p	28p	21-35p	21p	Most letters, postcards, bills & statements, some brochures and catalogues, most greetings cards
<b>Large letter</b>	0-250g	28-88p	46p	21-71p	38p	Letters containing unfolded A4 paper, most brochures, catalogues and company reports, some magazines
	251-500g	101-168p	83p	83-148p	70p	
<b>Packet</b>	0-250g	28-88p	93p	21-71p	81p	CDs, DVDs, VHS cassettes, film cassettes, books, some magazines and catalogues, parts and samples, prints and posters in large cylindrical packaging
	251-1000g	101-345p	179p	83-212p*	155p	

\*Currently 2nd class service only carries items up to 750g

# Step-by-step to the next price control

**Postcomm has published the timetable it expects to follow for its review of Royal Mail's next price control and service standards. The step-by-step review will include four consultation periods, each of three months, and will also examine the development of competition in the UK postal market.**

The four consultation documents will set out:

- timetable and process (already published)
- key issues to be considered in the review (September 2004)
- initial proposals (April 2005) and
- final proposals (October 2005).

**Nigel Stapleton**, chairman of Postcomm said:

"April 2006 may seem a long way off, but it is really important that we make a start now on our Royal Mail Price and Service Standards Review. This will give us the time needed to work closely and effectively with Royal Mail, Postwatch and other stakeholders to develop a framework that promotes efficiency and protects the interests of those many customers who don't yet have effective choice in the market.

"In parallel with the price review, Postcomm will also examine the development of competition in the UK postal market. This will enable an assessment to be made of how far Postcomm is maybe able to relax its controls over Royal Mail's prices and service quality, or to strengthen them if competition is not developing as we had hoped."

Postcomm will hold customer/industry meetings during the consultation periods for the issues and initial proposals, to allow interested representatives to discuss price control issues and proposals and to make their views known to Postcomm.

The first consultation document, *2006 Royal Mail Price and Service Quality Review: Consultation about Process, Timetable and Main Issues*, is published on Postcomm's website. Printed copies are available from Postcomm at 6 Hercules Road, London SE1 7DB.

## Licence for Deutsche Post

Postcomm has issued a long term licence to Deutsche Post Global Mail (UK) Ltd to provide bulk mail, consolidation and enhanced document exchange services in the UK. In April Deutsche Post signed an access agreement with Royal Mail.

The text of the licence – which contains a requirement for Deutsche Post to separate the accounts of its UK licensed business from those of its home market – can be found on Postcomm's website or obtained from Postcomm's office.

- John Ivers, formerly of Special Mail Services, has been appointed managing director of Deutsche Post Global Mail (UK).

## Postcomm defines universal postal service

Following a year-long review, during which users were asked, for the first time, what they wanted from a universal postal service, Postcomm has defined the universal service as follows:

- **Priority and non-priority mail services (letters and packets) up to 2 kilos** – Royal Mail's 1st and 2nd class mail services and bulk mail services
- **A non-priority parcels service up to 20 kilos** – Royal Mail's standard parcel service
- **A registered and insured service** – Royal Mail's Special Delivery (next day) and Recorded (signed-for) products
- **A range of support services to ensure the security and integrity of mail** – Royal Mail's Re-direction (up to 12 months), Keepsafe, Post Restante, Certificate of posting and Business collections
- **International outbound service** – Royal Mail's International public tariff and International Signed-for products. The UK is also subject to the requirements of the Universal Postal Union in respect of providing a service for delivery of international inbound mail
- **Bulk mail services** – to be decided.

The changes will allow Royal Mail more flexibility to compete with rival postal operators as competition in postal services increases. Up to now it has been assumed that the universal service applied to everything Royal Mail did.

As part of its competitive market review, Postcomm will make a further decision in September on which of Royal Mail's bulk mail and access products have to be provided on universal service terms.

In practice, users are unlikely to see immediate changes. This is because even if a service ceases to be universal, Royal Mail, as dominant operator, is still required to provide it under the terms of its licence. But as competition develops, Postcomm could allow Royal Mail more flexibility in the services it provides and how they are priced.

Postcomm's decision document, *The UK's universal postal service*, which gives details of the changes, is published on Postcomm's website.

## More access deals

Three companies – UK Mail Ltd, TPG Post UK Ltd and Deutsche Post Global Mail (UK) Ltd – have now agreed access terms with Royal Mail, where the companies pre-sort mail and 'access' Royal Mail's downstream network for delivery by postmen and postwomen.

Postcomm believes that these access terms are a significant step forward for competition in the UK postal market, and a sign that the industry is growing increasingly confident that access arrangements, driven by Postcomm, will deliver benefits to the customer.

Access agreements with Royal Mail are seen by Postcomm as good for customers, who are offered more choice and innovation, and good for Royal Mail, which is paid a fair price for final delivery.

On 31 March Postcomm published its observations on the first access agreement between Royal Mail and UK Mail Ltd. The document is intended to assist those seeking access in the near future by indicating to what extent other operators might expect a similar deal. The document, *Promoting Effective Competition in UK Postal Services through Downstream Access* is published on Postcomm's website. Printed copies are available from Postcomm's office.

## Postcomm's London Forum

Postcomm's first Forum for stakeholders, held in London on 9 June, attracted an audience of more than 130 people – among them operators, customers, and representatives of consumers and government departments.

As well as Postcomm specialists, speakers included Adam Crozier, chief executive of Royal Mail, Pieter Kunz, director of the European mail network of the Dutch postal operator TPG Post, Lorna Clarkson, director of pricing and commercial policy, Royal Mail, and Judith Donovan, a Postwatch council member. There were opportunities to question the speakers.

Led by Postcomm chairman Nigel Stapleton, the Forum heard from Postcomm chief executive Martin Stanley about Postcomm's strategy and work plan, while Postcomm's director of competition and regulation, Richard Moriarty, explained Postcomm's view of the competitive postal market.

More 

# Changes to the Postcode Address File

Postcomm is looking at ways of improving the Postcode Address File (PAF), the list of the postal addresses and postcodes of all 27 million households throughout the UK, which is maintained by Royal Mail. In two separate consultations, Postcomm has:

- asked for views on the current and possible future management of the PAF and
- proposed changes to the PAF Code of Practice to make it quicker for residents to change their postal address.

## PAF management

As well as being a cornerstone of Royal Mail's postal business, the PAF is used by Royal Mail's postal competitors for sorting, transport and delivery of mail throughout the UK. In addition it is widely used by UK industry to help identify correct postal addresses and to cross-reference postcode and address data against other databases such as credit or geographic information.

On 16 June Postcomm began a consultation as part of a review of the management of the postcode address file. Responses are requested by mid-September.

The main objectives of this review are to:

- assess Royal Mail's performance against its statutory obligations
- ensure that the way the PAF is managed does not act as a barrier to the development of effective postal competition, and
- ensure the management framework of the PAF is structured in the best way to further the interests of users.

This consultation is limited to the management and control of the PAF, including the way it is distributed to third parties outside the postal industry. The review will not consider the consistency (or otherwise) of the PAF with administrative boundaries, such as the allocation of 'English' postcodes to Scottish or Welsh addresses, or the way in which the PAF is used for non-postal purposes (except when this is relevant to the management and supply of the PAF).

## Code of practice

For residents, the PAF Code of Practice sets out rules that, among other things, enable people to ask Royal Mail to make changes to parts of their postal address.

Postcomm's first review, which took account of the views of Royal Mail, Postwatch the consumer watchdog, and 25 other respondents, noted that the code appeared to have worked well so far, but decided on:

- a fast-track system for customer-initiated change where less than 20% of the affected residents object, when contacted by Royal Mail
- a two-year minimum wait before a re-ballot and
- setting a date for the start of the next formal review in November 2008.

Up to January this year, 23 localities had balloted on changes to their postal address (to add an extra line reflecting the name of their town or village) under the code. All returned a yes vote and the average response rate was more than 70%.

The two consultation documents, *Royal Mail's Management of the PAF*, and *Review of Royal Mail's Licence Condition 20 – Postcode Address File Code of Practice*, are published on Postcomm's website. Printed copies are available from Postcomm's office.

## ▶ Postcomm's London Forum continued

Outlining Royal Mail's case for size-based pricing, Lorna Clarkson conceded there were a number of customer issues, including problems for designers of direct mail campaigns, higher costs for some magazines, higher costs for posting lightweight packages and extra costs for posting large greetings cards.

But research had shown most people thought postal pricing by size was either a good idea or were indifferent to it.

Judith Donovan said Postwatch was initially opposed to size based pricing, but after some investigation could see there was a case in principle for the proposals, although customer impact issues still needed to be addressed.

Postwatch wanted a long notice period – at least 12 months – before introduction, and called on Royal Mail to mount a major marketing campaign before any changes were made.

***Copies of the presentations made at the Forum are on Postcomm's website, under London Forum.***